

# COVER SHEET

SEC Registration Number

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Company Name

R	O	C	K	W	E	L	L		L	A	N	D		C	O	R	P	O	R	A	T	I	O	N		A	N	D	
S	U	B	S	I	D	I	A	R	I	E	S																		

Principal Office (No./Street/Barangay/City/Town/Province)

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R	O	C	K	W	E	L	L		C	E	N	T	E	R	,		M	A	K	A	T	I		C	I	T	Y		

Form Type

A	C	G	R	
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Manual on Corporate Governance

Department requiring the report

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Secondary License Type, If Applicable

N	/	A	
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## COMPANY INFORMATION

Company's Email Address

<b>ir@rockwell.com.ph</b>
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Company's Telephone Number/s

<b>793-0088</b>
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Mobile Number

<b>N/A</b>
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No. of Stockholders

<b>47,685 (as of April 30, 2017)</b>
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Annual Meeting  
Month/Day

<b>May 31, 2017</b>
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Fiscal Year  
Month/Day

<b>December 31</b>
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## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

<b>Ms. Ellen V. Almodiel</b>
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Email Address

<b>ellena@rockwell.com.ph</b>
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Telephone Number/s

<b>793-0088</b>
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Mobile Number

<b>N/A</b>
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Contact Person's Address

<b>Ground Floor, East Podium, Joya Lofts &amp; Towers, 28 Plaza Drive, Rockwell Center, Makati City 1200</b>
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**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



**ROCKWELL LAND CORPORATION**  
**MANUAL**  
**ON CORPORATE GOVERNANCE**

*The Board of Directors of Rockwell Land Corporation (“Rockwell”) and its Management hereby adopt this Manual on Corporate Governance (the “Manual”) to institutionalize corporate governance principles.*

*The Board, management, employees and shareholders believe that good corporate governance is necessary component of what constitutes sound strategic business management and would improve the economic and commercial prosperity of the Corporation and ultimately, the shareholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.*

*Rockwell’s governance policies shall likewise be deemed part of this Manual.*

## **Objective**

This Manual for Corporate Governance shall supplement and complement Rockwell's Articles of Incorporation, and By-Laws, in accordance with the principles of good corporate governance. Corporate Governance is defined as the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders. Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior - reconciling long-term customer satisfaction with shareholder value - to the benefit of all stakeholders and society. Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

The Board shall have the principal responsibility of ensuring the Corporation's compliance with the principles of good corporate governance and provide an independent check on Management. It shall exercise all corporate powers and manage the business and property of the Corporation in accordance with good corporate governance.

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

The Board of Directors, Management and employees adhere to and confirm their continuing commitment embodied in Rockwell's Vision and Mission,

### **Section 1. Compliance Officer**

The Board may appoint a Compliance Officer for Corporate Governance who shall directly report to the Chairman of the Board. If a corporate officer, he or she should hold the rank of a Senior Vice President (SVP) or its equivalent. If not a corporate officer, he or she should have sufficient stature and experience equivalent to that of an SVP. The Compliance Officer should not be a member of the Board.

This Compliance Officer shall have the following duties and responsibilities:

- a. Establish an evaluation system to determine and measure compliance with this Manual. monitor compliance with the provisions and requirements of this Manual;
- b. Submit a report to the Securities and Exchange Commission every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year and explain the reason for any deviation or as may be otherwise required by applicable law, rule or regulation.

- c. Identify, monitor and control compliance with corporate governance matters including the implementation of relevant policies such as those on trading.
- d. Recommend to the Board the review of the provisions of this Manual.
- e. Determine violations of this Manual and recommend to the Chairman of the Board the appropriate actions for such violations, for further review and approval of the Board.
- f. Annually attend a training on corporate governance.
- g. Ensure proper onboarding of new directors.
- h. Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, this Manual, rules and regulations and all governance issuances of regulatory agencies.
- i. Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action.
- j. Ensure the integrity and accuracy of all documentary submissions to regulators.
- k. Appear before the SEC when summoned in relation to compliance with this Manual.
- l. Collaborate with other departments to properly address compliance issues, which may be subject to investigation.
- m. Identify possible areas of compliance issues and work towards the resolution of the same.
- n. Ensure the attendance of board members and key officers to relevant trainings and
- o. Perform such other duties and responsibilities as may be provided by the SEC.

In the absence or unavailability of the Compliance Officer, the Corporation may have one or more Assistant Compliance Officer(s) who shall perform the duties provided herein. They shall likewise be tasked to assist the Compliance Officer.

## Section 2. **Composition, Duties and Responsibilities of the Board**

### Composition

In accordance with the Articles of Incorporation, the Board shall be composed of eleven (11) members who are elected by the stockholders. The Corporation should endeavor to have directors whose collective working knowledge experience or expertise is relevant to the company's current activities and holdings. There shall be at least two independent directors or such number of independent directors that constitutes 20% of the members of the Board, whichever is lesser, but in no case less than two.

The Corporation's Board shall be composed of a majority of non-executive directors to the extent possible. The non-executive directors should possess the necessary qualifications and stature to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. As much as possible, they should concurrently serve as directors up to only a maximum of five 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.

The non-executive directors shall have separate periodic meetings with the external auditors of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balance are in place within the Corporation. The meetings should be chaired by the lead independent director, if one is appointed, or by the director so chosen by the non-executive directors.

In addition, the Corporation should endeavor to have a Board that has diversity in terms of gender, age, ethnicity, culture, skills, competence and knowledge.

### General Duties and Responsibilities of the Board

The Board represents the corporation's interest and those of the shareholders as a whole in perpetuating a successful business, including optimizing long-term financial returns. The Board shall be responsible for determining that the Corporation is managed in such a way to ensure the result. To ensure a high standard of best practice for the corporation, its stockholders and other stakeholders, the Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. It is duty-bound to apply high ethical standards, taking into account the interests of all stakeholders. To ensure good corporate governance, the Board shall institute adequate internal control mechanisms and exert its best efforts to ensure best practices, keeping in mind its objective of steering the Corporation towards sustained profitability.

The Board shall act on a fully informed basis and shall exercise care, skill, judgment, good faith and due diligence in the conduct and management of the business of the Corporation within the scope and authority provided in the Corporation's Articles of

Incorporation, By-Laws and applicable laws and regulations. It shall, at all times, act in the best interest of the Corporation. The Board shall also take into account the interest and welfare of the Shareholders and other stakeholders. The Board should identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. The Board should also establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. The Board should adopt a transparent framework and process that allows stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.

New directors should be familiarized with the Corporation's operations, senior Management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations, and the Corporate Code of Conduct. New directors shall likewise be given an orientation on matters and topics mandated by the Securities and Exchange Commission on corporate governance. If new directors have no board experience, they should receive orientation in their unaccustomed responsibility. Orientation or, in proper cases, subject to the Board's assessment on skills and trainings needed, training opportunities for existing and potential directors should be identified and appropriate development or action undertaken on at least an annual basis. The annual trainings ensure that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation.

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

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

The Board may delegate its duties and/or responsibilities to a Committee or Management or to the Corporation's officers.

#### Duties and Responsibilities of a Director

A director has the duty to be diligent, loyal and obedient to the Corporation.

A director must exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in honest belief that the action was taken in the best interest of the Corporation, its stockholders and other stakeholders.

A director is a fiduciary of the Corporation and shall not take advantage of the Corporation by means of fraudulent transactions. He must act honestly and in good faith in the interest of the Corporation, its stockholders and other stakeholders. He must avoid

actual and potential conflicts of interest and shall disclose fairly his interests in contracts with the Corporation.

The directors must act only within corporate powers.

A director shall devote 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 aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work.

A director shall 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.

A director shall exercise independent judgment. A director should view each problem or situation objectively.

A director shall have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulation of the SEC and, where applicable, the requirements of relevant regulatory agencies.

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

A director shall 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.

A director shall commit to be present at meetings of the Board.

A director should attend and actively participate in all meetings of the Board Committees, and Shareholders, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

If he has material interest in any transaction affecting the Corporation, he should abstain from taking part in the deliberations for the same.

#### Multiple Board Seats

A director should exercise sound judgment in accepting other directorships outside the Corporation. He may accept directorships outside the Corporation which, in his opinion, do not hinder him from his obligation to diligently perform his duties and functions in the Corporation. This policy does not cover directorships in the Corporation's subsidiaries

and affiliates as well as subsidiaries and affiliates of such companies. In all instances, a director should endeavor to notify the Board before accepting a directorship in another company.

The Board may, in its discretion, provide a maximum number of directorships in publicly listed companies that a director may have.

### Board Ethics

The Board should adopt a Code of Business Conduct and Ethics, or its equivalent, 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. It should also be disclosed and made available to the public through the company website.

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

### Specific Duties and Responsibilities of the Board to Implement Corporate Governance Principles

The Board has the following specific duties and functions to implement corporate governance principles:

- a. The Board shall determine the Corporation's purpose and values, its vision and mission, determine the strategies to achieve this purpose and to implement its values in order to ensure that the Corporation survives and thrives.
- b. The Board shall ensure that adequate procedures, systems and practices that protect the Corporation's assets and reputation are in place and are maintained. The Board shall be guided by best business practices. The Board shall ensure the Corporation's faithful compliance with all applicable laws, regulations and be guided by best business practices.
- c. The Board shall monitor the effectiveness of management policies and decisions.
- d. The Board shall have a process for the selection of qualified and competent directors and officers and adopt an effective succession planning program for management.
- e. The Board shall ensure that the Corporation communicates with shareholders by providing them with relevant, accurate, and timely information, as necessary,

including periodic and other reports submitted to regulatory authorities, and an annual report of its performance.

- f. The Board shall provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- g. The Board shall establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation.
- h. The Board shall identify the Corporation's stakeholders in the community in which it operates or are affected by its operations and formulate a relevant communications policy affecting them;
- i. The Board shall adopt a system of check and balance within the Board. A regular review of the effectiveness of such a 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.
- j. The Board shall identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- k. The Board shall 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 company, joint ventures, subsidiaries, major stockholders, officers, and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- l. The Board shall constitute an Audit Committee and such other Committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- m. As may be deemed proper by the Board, it may establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
- n. The Board shall keep its activities and decisions within its authority under the articles of incorporation and by-laws and in accordance with existing laws, rules and regulations.

- o. The Board shall appoint a Compliance Officer with the rank of at least Senior Vice-President or its equivalent. In the absence of such appointment, the Corporate Secretary or Assistant Corporate Secretary, preferably a lawyer, may act as the Compliance Officer.
- p. The Board shall constitute the proper Committees to assist it in good corporate governance.

It shall:

- a. Establish a process to ensure that the composition of the Board has an appropriate mix of competence and expertise;
- b. Review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans;
- c. Set performance objectives, monitor implementation and corporate performance and oversee major capital expenditures, acquisitions and divestitures;
- d. Approve the selection and assess performance of Management led by the Chief Executive Officer, and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive);
- e. Ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position;
- f. Make sure that the internal controls are in place to ensure the Corporation's compliance with the Code of Business Conduct and Ethics (or its equivalent) and its internal policies and procedures;
- g. Adopt an effective succession planning program for directors, key officers and Management to ensure growth and a continued increase in the shareholders' value and adopt a policy on the retirement age for directors and key officers as part of Management succession and to promote dynamism in the Corporation, subject to exceptions as deemed necessary by the Corporation;
- h. Align the remuneration of key officers and Board members with the long-term interests of the Corporation and formulate and adopt a policy specifying the relationship between remuneration and performance;
- i. Have overall responsibility in ensuring 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 of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within

- the group, taking into account their size, structure, risk profile and complexity of operations;
- j. Establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management;
  - k. Approve the Internal Audit Charter.
  - k. Oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
  - l. Encourage active shareholder participation by endeavoring to send the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information twenty eight (28) days before the meeting to the extent possible and practicable;
  - m. 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 or as soon as possible. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the company website within five (5) business days from the end of the meeting or as soon as possible thereafter;
  - n. Make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner;
  - o. Establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. the IRO should be present at every shareholders' meeting;
  - p. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance;
  - q. 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;
  - r. 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 of Directors shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the Corporation may seek the services of an external facilitator with respect to the assessment, if needed. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

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

### Board Meetings

The Board shall hold regular meetings and may convene for special meetings as may be required by business exigencies in accordance with the provisions of the By-Laws. A director shall attend such meetings, either in person or through teleconferencing or videoconferencing as may be allowed by law, except when a justifiable reason prevents his attendance.

Independent directors should always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement.

The minutes of Board meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

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

### **Section 3. Nominations and Qualifications of the Board**

The Board should ensure that, through a managed and effective system, board appointments are made that provide a mix of proficient directors, each of whom is able to add value and to bring prudent judgment to bear on 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.

The following disqualifications of a director may be considered in the selection process:

- Final judicial conviction of an offense involving moral turpitude or fraudulent act or transgressions;
- Finding by final and executory judgment by the Securities and Exchange Commission or a court or other administrative body of competent jurisdiction of a willful serious violation, or willful aiding, abetting, counseling, inducing, or procuring of the serious violation of, any material provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- Judicial declaration of insolvency;
- Finding by final and executory judgment by a foreign court or equivalent financial regulatory authority with competent jurisdiction of material acts, serious violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final and executory 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.
- Having competing or antagonistic businesses with the Corporation.

#### Qualifications of a Director

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- Holder of at least one (1) share of stock of the Corporation;
- Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Corporation (subject to the discretion of the Board), time availability and motivation.

#### Qualifications of an Independent Director

- An independent director shall mean a person other than an officer or employee of the Corporation, its parent or subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.

- If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director.
- An independent director possesses the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

An independent director refers to a person who is ideally:

- i. is not a director or officer or substantial stockholder of the Corporation or of its related companies or any of its substantial Shareholders (other than as an independent director of any of the foregoing);
- ii. is not a relative of any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial Shareholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- iii. is not acting as a nominee or representative of a substantial shareholder of the Corporation, any of its related companies or any of its substantial Shareholders;
- iv. has not been employed in any executive capacity by the Corporation, any of its related companies or by any of its substantial Shareholders within the last five (5) years;
- v. is not retained, either in his or her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his or her election;
- vi. is not retained as professional adviser by the Corporation, any of its related companies or any of its substantial Shareholders within the last five (5) years, either personally or through his firm;
- vi. does not engage or has not engaged, whether by himself or herself or with other persons or through a firm of which he or she is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his or her independent judgment has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial Shareholders, whether by himself or with other

persons or through a firm of which he is a partner or a corporation of which he is a director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial or insignificant;

- vii. is one who ceased to be a regular director in the preceding two (2) years prior to qualification as an independent director;
- viii. has not been appointed in the 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 or her election; Formerly a Chairman Emeritus, Ex Officio director/officers or member of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board provided that, at least two (2) years has lapsed from such former capacity prior to his qualification as an independent director;
- ix. is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
- x. is not, and has not been in the three (3) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial shareholders and its related companies;
- xi. is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- xii. 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;
- xiii. is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- xiv. is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Each independent director should serve for a maximum of nine (9) years subject to applicable laws, rules and regulations. After such period, the independent director should be perpetually barred from re-election as such in the same Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that a Corporation wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and, if it deems this necessary, seek shareholders' approval during the annual shareholders' meeting.

The Board may designate a lead director among the independent directors if the Chairman of the Board is not considered independent or in an instance where the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

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

- i. Serve as an intermediary between the Chairman and the other directors when necessary;
- ii. Convene and chair meetings of the non-executive directors, as applicable; and
- iii. Contribute to the performance evaluation of the Chairman, as required.

#### Disqualifications of Directors

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

- a. Conviction by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) 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 (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them;
- b. Final judgment or order of the Securities and Exchange Commission or any court or administrative body of competent jurisdiction which enjoins a person, by reason of misconduct, from (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification may also apply if 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 has otherwise been restrained to engage in any activity involving securities and banking or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member of participant of the organization;

- c. Conviction by final judgment or order by a court for competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d. Final judgment or order of the Securities and Exchange Commission, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission or BSP, or any of its rule, regulation or order;
- e. Employment as officer or employee or engagement as consultant of the corporation where he has been elected as an independent director.
- f. Judicial declaration of insolvency;
- g. Final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs a to e above;
- h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;

#### Temporary Disqualification and Grounds for Dismissal of Directors

Any of the following shall be a ground for the temporary disqualification or dismissal for cause of a director:

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

- Absence or non-participation for unjustifiable reason/s for 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. This disqualification applies for purposes of the succeeding election;
- Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

The Board may create a Nominations Committee who shall consider the above qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.

The Board shall have the final decision to determine the qualification or disqualifications of a Director.

#### Section 4. **Remuneration of Officers**

The Board shall promote a culture that supports enterprise and innovation, with appropriate short-term and long-term performance related rewards that are fair and achievable in motivating management and employees effectively and productively. It is imperative that the Board seeks to drive the business enterprise proficiently through the proper and considered decision-making processes and recognizes entrepreneurial endeavor among its management without contravening laws and regulations.

In matters of compensation and remuneration, the Board shall set a policy that creates a reward system to recruit, retain and motivate high quality executives and employees. Towards this end, the Board may create a Compensation or Remuneration Committee and delegate such powers and duties to such committee as it may deem proper.

#### Section 5. **Audit Committee**

The Board shall create an Audit Committee composed of three (3) members of the Board, at least one (1) of whom shall be an Independent Director with non-executive directors, to the extent possible and practicable. The Chairman of the Audit Committee shall be an Independent Director.

Each member of the Audit Committee shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.

#### Duties and Responsibilities

The Audit Committee shall have the following duties and responsibilities:

- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;
- Pre-approve all audit plans, scope and frequency in connection with the conduct of external audit.
- Interface with internal auditors and external auditors;
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - i. A definitive timetable within which the accounting system of the Corporation will be International Accounting Standards (IAS) Compliant or such other applicable standard.
  - ii. An accountability statement that will identify officers and/or personnel responsible for the accomplishment of such task.
- Develop a transparent financial management system that aims to ensure the integrity of internal control activities throughout the Corporation;
- Regularly review organizational and procedural controls guided by best practices;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. The function includes regular receipt from Management of information on risk exposures and risk management activities;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - 1. Any change/s in accounting policies and practices;
  - 2. Major judgmental areas;
  - 3. Significant adjustments resulting from the audit;

4. Going concern assumptions;
  5. Compliance with accounting standards; and
  6. Compliance with tax, legal and regulatory requirements.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.
  - Ensure that, in the performance of the work of the Internal Auditor, the Internal Auditor shall be free from interference by outside parties.
  - 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 oversees the implementation of the IA Charter.
  - Through the Internal Audit (IA) unit monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Put in place well-designed internal control procedures and processes that will provide a system of checks and balances in order to (a) safeguard the Company's resources and ensure their effective utilization; (b) prevent occurrence of fraud and other irregularities; (c) protect the accuracy and reliability of the Company's financial data; and (d) ensure compliance with applicable laws and regulations.
  - Oversee the Internal Audit Department and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive
  - Approve the terms and conditions for outsourcing internal audit services.
  - Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations.
  - Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
  - Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The committee should disallow any non-audit work

that will conflict with his duties as an External Auditor or may pose a threat to his independence.

- Review the disposition of the recommendations in the External Auditor's management letter.
- Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

The Audit Committee shall have an Audit Committee Charter which 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 a robust process for approving and recommending the appointing, 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 company website and required disclosures.

The Audit Committee may request information, data and clarification from the officers of the Corporation in connection with their duties and responsibilities.

## **Section 6. Corporate Governance Committee**

The Board shall create a Corporate Governance Committee to be composed of at least three (3) members, one of whom is an independent director. The Committee shall ensure that, through a managed and effective system consistent with the by-laws, the Corporation adheres to the set standards for governance, that those appointed as Corporate Officers have the requisite qualifications and that board elections are made that provide a mix of proficient directors, each of whom is able to add value and to bring prudent judgment to bear on the decision making process.

The Committee shall endeavor to ensure that, through a managed and effective system consistent with the By-laws, the Corporation adheres to the set standards for governance, that those appointed as Corporate Officers have the requisite qualifications and that board elections are made that provide a mix of proficient directors, each of

whom is able to add value and to bring prudent judgment to bear on the decision making process.

### Duties and Responsibilities

The Corporate Governance shall have the function of reviewing and evaluating the qualification of all persons nominated to the Board and other requirements that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors, selecting directors and passing upon their qualifications. It shall also have the function of:

1. reviewing the recommendations of the Compliance Officer with regard to the requirements and/or violations of the Manual for Corporate Governance and other corporate governance rules and endorse the same to the Board for its review and/or approval;
2. reviewing, as may be necessary, the Charters of all the Board Committees and recommend any changes to the Board for the latter's approval; and
3. reviewing and monitoring the corporate governance trainings of members of the Board and senior Management in line with the Corporation's continuing education and training program for directors and Management.

The Committee shall also have the function of:

1. nominating directors and passing upon the qualifications of Directors, Board Committee Members, Corporate Officers;
2. reviewing and/or recommending changes in the election and/or replacement of directors;
3. making recommendations to the Board on the organization and procedures for evaluating the performance of the Board and Board Committees;
4. reviewing the structure, size and composition of the Board and make recommendations to ensure that the Board has the required number of independent directors;
5. screening individuals nominated for election as directors to ensure that such nominees possess all the qualifications and none of the disqualifications as may be provided by law, rules and/or regulations;
6. ensuring that the Corporation has at least three (3)two (2) independent directors or such number of independent directors which constitute at least one

third of the members of the Board or as otherwise required by law, rules and/or regulations, whichever is higher, to the extent practicable;

7. reviewing the recommendations of the Compliance Officer with regard to the requirements and/or violations of the Manual for Corporate Governance and other corporate governance rules and endorse the same to the Board for its review and/or approval;

8. reviewing, as may be necessary, the Charters of all the Board Committees and recommend any changes to the Board for the latter's approval;

9. promulgating its rules or procedures with respect to qualification and disqualification of directors, whether permanent or temporary, including suspensions and

10. reviewing and monitoring the corporate governance trainings of members of the Board and senior Management in line with the Corporation's continuing education and training program for directors and Management.

It shall:

a. Assist the Board in the performance of its corporate governance responsibilities;

b. Ensure compliance with and proper observance of corporate governance principles and practices;

c. Oversee the implementation of the corporate governance framework and periodically reviews 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;

d. 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;

e. Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

f. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;

g. Propose and plan relevant trainings for the members of the Board;

- h. Determine the nomination and election process for the Company's directors;
- i. Define the general profile of board members that the Company may need and ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- j. 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.

## Section 7. **Board Risk Oversight Committee**

The Board shall create a Board Risk Oversight Committee composed of at least three (3) members of the Board, or such other number as may be prescribed by the Board. The Chairman of the Board shall designate the Chairman of the Committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

### Duties and Responsibilities

The Board Risk Oversight Committee shall have the following powers and functions:

- i. oversee the formulation and establishment of an enterprise-wide risk management system;
- ii. review, analyse and recommend the policy, framework, strategy, method and/or system of or used by the Corporation to manage risks, threats or liabilities;
- iii. review and assess the likelihood and magnitude of the impact of material events on the Corporation and/or to recommend measures, responses or solutions to avoid or reduce risks or exposures;
- iv. 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;

- v. oversee the implementation of the enterprise risk management plan and conducts regular discussion 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;
- vi. evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, revisiting 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;
- vii. advise the Board on its risk appetite levels and risk tolerance limits.
- viii. review 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.
- ix. assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence.
- x. 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.
- xi. report to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks and recommend further action or plans, as necessary and
- xii. perform such other duties and functions and/or assume such responsibilities as may be delegated by the Board of Directors.

### Risk Management Function

The Corporation should have a separate risk management function to identify, assess and monitor key risk exposures.

The risk management function involves the following activities, among others:

- a) Defining a risk management strategy;
- b) Identifying and analyzing key risks exposure relating to EESG factors and the

- achievement of the organization's strategic objectives;
- c) Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters;
  - d) Establishing a risk register with clearly defined, prioritized and residual risks;
  - e) Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy;
  - f) Communicating and reporting significant risk exposures including business risks, control issues and risk mitigation plan to the Board Risk Oversight Committee; and
  - g) Monitoring and evaluating the effectiveness of the organization's risk management processes.

The Corporation should have a Chief Risk Officer (CRO) who is the ultimate champion of Enterprise Risk Management and has adequate authority, stature, resources and support to fulfill his/her responsibilities.

The CRO has the following functions, among others:

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

There should be clear communication between the Board Risk Oversight Committee and the CRO.

## Section 8. **Related Party Transaction (RPT) Committee**

Composition. The Board may create a Related Party Transaction Committee composed of at least three (3) non-executive directors, two of whom should be independent, including the Chairman to the extent it may be found necessary and practicable upon recommendation of Management.

Duties and Responsibilities. Once constituted, the Related Party Transaction Committee shall have the following powers and functions:

a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors.

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 Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

i. The related party's relationship to the Company 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 Company 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 Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
- d. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- 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.

All established committees should be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees and should be fully disclosed on the Corporation's website.

## Section 9. **Officers**

The Board shall appoint the corporate officers such as the Chairman, Vice-Chairman, Chief Executive Officer, Chief Operating Officer, President, Vice-Presidents and such other corporate officers as shall from time to time be designated by the Board. The officers shall perform their duties as enjoined by the By-Laws and the Board. In addition, to ensure checks and balance as well as increased accountability and independent decision-making, the corporate officers shall perform their duties in accordance with best practices.

### The Chairman

The roles of the Chairman of the Board and the President shall, 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 Chairman and the President. If the positions of Chairman and President 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 Corporation shall disclose the relationship between the Chairman and the President, if any, in its

annual report to the Securities and Exchange Commission or such other regulatory agency as may be required by law.

The Board should be headed by a competent and qualified Chairman. The Chairman of the Board, or in his absence, the Vice-Chairman, shall preside at all meetings of the Board. Among other duties, the Chairman shall:

- a. ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- b. ensure that the agenda of the meetings 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.
- c. in coordination with the Corporate Secretary, taking into consideration the suggestions of the Chief Executive Officer, Management and the directors, supervise the preparation of the agenda of the meetings;
- d. assist in ensuring compliance with the Manual;
- e. maintain lines of communication and information between the Board and Management;
- f. guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions.
- g. facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors.
- h. ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
- i. assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors.
- j. make sure that the performance of the Board is evaluated at least once a year and discussed or followed up on to the extent needed.
- k. exercise such powers as may be conferred on him by the Board.

*The Chief Executive Officer*

The Chief Executive Officer (“CEO”) shall be in charge of the general management and administration of the Corporation. The CEO shall provide information of the performance of the Corporation.

The CEO has the following roles and responsibilities, among others:

- a. Determine the Corporation’s strategic direction and formulate and implement its strategic plan on the direction of the business;
- b. Communicate and implement the Corporation’s vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- c. Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the Corporation’s industry and market and keep up-to-date with its core business purpose;
- e. Direct, evaluate and guide the work of the key officers of the Corporation;
- f. Manage the Corporation’s resources prudently and ensure a proper balance of the same;
- g. Provide the Board with timely information and interface between the Board and the employees;
- h. Build the corporate culture and motivate the employees of the Corporation; and
- i. Serve as the link between internal operations and external stakeholders.

#### *The Corporate Secretary and Assistant Corporate Secretary*

The Corporate Secretary and the Assistant Corporate Secretary shall be Filipino citizens.

#### Duties and Responsibilities

The Corporate Secretary and the Assistant Corporate Secretary shall have the following duties and responsibilities:

- Assist the Board in the preparation of the agenda of meetings and the management in the preparation and gathering of materials to be presented to the Board or the shareholders.
- Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings.
- Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation.

- Keep abreast on relevant laws, regulations, governance issues, relevant industry developments and operations of the Corporation, and advises the Board and the Chairman on all relevant issues as they arise.
- Work fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its stakeholders.
- Advise on the establishment of board committees and their terms of reference.
- Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, to the extent practicable 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.
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him or her from doing so.
- Perform required administrative functions.
- Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements.
- Perform such other duties and responsibilities as may be provided by the SEC.
- Implement such methods adopted by the Board to efficiently and timely inform and brief the board members prior to board meetings.
- Attend Board meetings and take down the minutes of special and regular meetings of the Board and shareholders.
- Be loyal to the mission, vision and objectives of the Corporation.
- Work fairly and objectively with the Board, Management, stockholders and other stakeholders.
- Have appropriate administrative and interpersonal skills.
- If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- Have a working knowledge of the operations of the Corporation.

- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer provided for in this Manual.
- Issue a certification every January 30<sup>th</sup> of the year on the attendance of directors in meetings of the Board, countersigned by the Chairman of the Board or as otherwise required by applicable law, rule or regulation.

#### Section 10. **External Auditor**

The Board, after consultation with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC and who shall undertake an independent audit of the Corporation and provide an objective assurance on the manner by which the financial statements will be prepared and presented to the stockholders. The appointment shall be in accordance with the company's established 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.

An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

The reasons for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The external auditor shall not at the same time provide the services of an internal auditor. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence. The Audit Committee shall ensure that other non-audit work of the external auditor shall not be in conflict with the functions of the external auditor.

If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

The handling partner of the Corporation's external auditor shall be changed every five (5) years or earlier, as determined by the Board.

#### Section 11. **Internal Auditor**

The Corporation shall have in place an independent audit system which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and shareholders shall be provided with reasonable assurance

that key organizational and procedural controls are effective, appropriate, and complied with. The internal audit system to be adopted shall take into account the nature and complexity of the Corporation's business and the business culture, the volume, size and complexity of the transactions, the degree of risks, the degree of centralization and delegation of authority, the extent and effectiveness of information technology and the extent of regulatory compliance.

The Internal Auditor shall have the following functions, among others:

- a) facilitate the implementation of the anti-corruption programmes and procedures of the Corporation by recommending guidelines including on assigning of responsibility for the development of controls;
- b) In furtherance of the Corporation's good governance initiatives and in consonance with its anti-corruption programmes and procedures, its Code of Conduct, its Code of Employee Discipline, the Internal Auditor shall establish and facilitate the implementation of a Whistleblower Policy which identifies who could be whistleblowers, laying down the matters which are reportable thereunder, the procedures for whistleblowing, as well as their rights and responsibilities under the said policy;
- c) 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 (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information and (iv) coordinating the activities and information among the Board, external and internal auditors and management;
- d) perform regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- e) perform consulting and advisory services related to governance and control as appropriate for the organization;
- f) perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- g) review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- h) 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;
- i) evaluate specific operations at the request of the Board or Management, as

appropriate; and

- j) monitor and evaluate governance processes.

The internal control system for management's operational responsibility shall center on the Chief Executive Officer.

The Internal Auditor shall report to the Audit Committee.

The Corporation should endeavor to have a qualified Chief Audit Executive ("CAE") or its equivalent appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. The CAE, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the CEO. The following are the responsibilities of the CAE, among others:

- a) Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c) Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d) Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e) Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f) Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

## Section 12. **Timely Information, Communication Process**

### Adequate and Timely Information

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

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

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

The members of the Board, in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense provided that such expenses are reasonable.

### Communication

This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days. Copies of this Manual shall also be made available to officers and employees.

Individual Board members may, from time to time, at the request of management, meet or otherwise communicate with various constituencies that are involved with the Corporation. If comments from the Board are appropriate, they should, in most circumstances come from the Chairman of the Board or the Director designated as spokesperson for the Corporation.

### **Section 13. Accountability and Audit**

The Board is primarily accountable to the Corporation, and as may be applicable, to the stockholders. It should provide them a balanced and comprehensive assessment of the Corporation's performance, position and prospects. It is essential that Management provide the members of the Board adequate information that will 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:

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

systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.

#### **Section 14. Orientation Process**

New directors should be familiarized with the Corporation's operations, senior management and its business environment and be inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations. If new directors have no board experience, they should receive orientation in their unaccustomed responsibility. Opportunities for orientation for existing and potential directors shall be identified and appropriate development undertaken.

#### **Section 15. Confidentiality and Use of Material Inside Information**

The directors, officers and key employees of the Corporation shall observe confidentiality of material, inside, non-public information acquired by reason of their office and will not use and/or disclose any information to any other person without the authority of the Board. The directors, officers and key employees of the Corporation shall observe and ensure compliance with the Corporation's Trading Policy.

#### **Section 16. Conflict of Interest**

The directors and officers of the Corporation shall always put the interest of the Corporation above personal interest. Except for salaries and other employment benefits, the directors and officers shall not directly or indirectly derive any personal profits or advantage by reason of their positions in the Corporation.

If an actual or potential conflict of interest should arise, it should be fully disclosed and the concerned director should not participate in the decision-making process.

Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits, unless his act has been ratified by a vote of the Shareholders representing two-thirds (2/3) of the outstanding capital stock of the Corporation.

When a director or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

#### **Section 17. Environment**

The Corporation is committed to sustainable development. It shall operate and maintain its business in compliance with the requirements of applicable environmental laws, rules, regulations and generally accepted industry practices. The Corporation is committed to provide services that are responsive to customer needs and comply with environmental, occupational safety and health laws and regulations and other applicable requirements to which the organization subscribes. The Corporation shall conduct its business in a manner that will protect the environment.

### **Section 18. Corporate Social Responsibility**

The Board of Directors and Management recognize the need for the Corporation to be a good corporate citizen. The Board and Management support the Corporation's initiatives in launching and maintaining civic, charitable, and social projects and undertakings.

The Corporation strives to work with organizations whose objectives and activities are aligned with the commitment to contribute to society's needs for poverty alleviation, health, education and environmental protection.

### **Section 19. Reportorial or Disclosure System of Corporate Governance Policies**

The reports or disclosures required under this Manual shall be prepared and submitted to the Securities and Exchange Commission by the responsible officer.

### **Section 20. Investor's Rights and Protection**

The shareholders have the right to receive timely and transparent information about the Corporation.

The Board recognizes and shall respect the rights of the stockholders under the law, the articles of incorporation and the by-laws, specifically the stockholders' rights to vote, pre-emptive rights, power of inspection, right to dividends and appraisal rights.

Stockholders' meetings shall be conducted fairly and in a transparent manner and the stockholders shall 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 doubts about the validity of a proxy should be resolved in the stockholders' favor.

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

The Board shall take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether by 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.

The Board shall give minority stockholders the right to propose the items for discussion that relate directly to the business of the corporation.

#### Section 21. **Disclosure and Transparency**

All material information about the corporation which could adversely affect its viability or the interest of the stockholders and other stakeholders as a whole shall be publicly and timely disclosed. Such material information shall include among others, earnings results, acquisitions or dispositions of assets, off-balance sheet transactions, related party transactions, and direct and indirect remuneration of the members of the Board and Management. All such information shall be disclosed through the appropriate submissions to the SEC.

The Board shall therefore commit at all times to full disclosure of material information dealings. 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 also 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 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 the Corporation's financial condition, results and business operations.

The Board should have a policy requiring all directors and officers to disclose/report to the Corporation any dealings in the Corporation's shares within three (3) business days.

The Corporation should 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 or as otherwise required. To the extent legally required and taking into account security as well as safety considerations, the Corporation may disclose the remuneration of directors and executives on a collective or individual basis, subject to applicable law, rule or regulation.

The Corporation should ensure that the material and reportable non-financial and sustainability issues are disclosed. The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. The Corporation should adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

The Corporation's corporate governance policies, programs and procedures stated herein should be submitted to the regulators and posted on the Corporation's website.

Management will take into account the interests of the Corporation in all its transactions, especially in transactions which may involve related parties. The Corporation shall disclose its policies governing related party transactions (RPTs) and other unusual or infrequently occurring transactions and shall review and approve material and significant related party transactions. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report

The Corporation shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. The Corporation may 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.

#### **Section 22. Monitoring and Assessment**

The Committees shall report to the Board in such manner as the Board may require.

This Manual shall be subject to annual review or at such frequency as may be determined by the Board.

#### **Section 23. Penalties for Non-Compliance with the Manual**

To strictly observe and implement the provisions of this Manual, the Board may take appropriate actions, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.

The commission of a serious violation of a material provision of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

**Effectivity**

This Manual shall become effective as of May 31, 2017

**Signed:**



**Manuel M. Lopez**  
**Chairman of the Board**



**Enrique I. Quiason**  
**Compliance Officer**