



**ANVAYA COVE BEACH AND NATURE CLUB, INC.**

**AMENDED MANUAL OF CORPORATE GOVERNANCE**

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## ARTICLE I

### PREAMBLE

**Corporate governance** refers “to the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders/members and other stakeholders. [It] is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the board of directors and Senior Management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society. Its purpose is to maximize the organization’s long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders and the nation.” (*SEC Memorandum Circular No. 24, Series of 2019*) It encompasses the entirety of the legal and factual regulatory framework for managing and supervising a corporation. The primary goal of corporate governance is to create and sustain increased value in the corporation for all of its stakeholders. To achieve this goal, it is necessary – among other things – to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stakeholders concerned, thereby safeguarding stakeholders’ rights as well as promoting stakeholder participation in the corporate governance process.

The framework for Corporate Governance is not drawn from any single document. The Philippine Corporation Code lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (Republic Act No. 8799), the Securities and Exchange Commission (the “Commission”) implementing rules and regulations, and the Code of Corporate Governance for Public Companies and Registered Issuers (*SEC Memorandum Circular No. 24, Series of 2019*). All the terms used herein are used with the meanings assigned to them by said laws and implementing rules and regulations.

The machinery for corporate governance of Anvaya Cove Beach and Nature Club, Inc. (“the Corporation”) is principally contained in the Corporation’s Articles of Incorporation and By-Laws and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Manual of Corporate

Governance (the “Manual”) is to supplement and complement the Corporation’s Articles and By-Laws by setting forth principles of good and transparent governance.

The Board of Directors, Management, officers and employees of the Corporation commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization. *(as amended by resolution of the Board of Directors on July 8, 2020)*

## ARTICLE II

### GOVERNANCE

#### 1. The Board of Directors

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the directors, acting as a Board, have the fullest powers to regulate the concerns of the Corporation according to their best judgment. Corollary to setting the policies for the accomplishment of the corporate objectives, the Board of Directors shall provide an independent check on Management and promote and adhere to the principles and best practices of corporate governance, which shall be exercised in the best interest of the Corporation, its shareholders and other stakeholders.

##### 1.1 Composition

The Board of Directors shall be eleven (11) members, a majority of whom shall be non-executive directors. The Board of Directors shall be elected by the Corporation’s stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

Since the shares of the Corporation are registered with the Commission pursuant to Section 12 of the Securities Regulation Code and SRC Rule 12, the Corporation shall conform to the legal requirement to have at least two (2) independent directors or such independent directors as shall constitute twenty percent (20%) of the members of the

Board, whichever is higher. The independent directors shall be identified in the annual report of the Corporation.

In the selection of candidates for the Board, the objectives set by the Board shall be seriously considered, as well as the required knowledge, abilities, experience, and different backgrounds needed to successfully manage the Corporation. The Board shall regularly review its composition, taking into account the evolving requirements of the Corporation, and best practices in corporate governance. (as amended in a meeting of the Board of Directors held on August 17, 2010 and further amended by resolution on July 8, 2020)

## **1.2 Qualifications**

A director of the Corporation shall have the following qualifications:

- a) Ownership of at least one (1) share of the capital stock of the Corporation;
- b) At least twenty-one (21) years of age;
- c) A college degree or its equivalent or adequate competence and understanding of the fundamentals of the leisure industry or sufficient experience and competence in managing a business to substitute for such formal education;
- d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;
- e) Practical understanding of the business of the Corporation;
- f) Membership in good standing in relevant industry, business or professional organization; and
- g) Previous business experience. (as amended in a meeting of the Board of Directors held on August 17, 2010)

## **1.3 Permanent Disqualification**

The following persons are permanently disqualified from being a director of the Corporation:

- a) Any person who has been finally convicted by a competent judicial or administrative body of the following : (i) any crime involving the purchase or sale of securities, as defined in the Securities Regulation Code, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising 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; and (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them;
- b) Any person who, by reason of any misconduct, after hearing or trial, is permanently enjoined by order, judgment or decree of the Commission, Bangko Sentral ng Pilipinas (BSP) or any court or other administrative body of competent jurisdiction from; (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities and banking activities. Such disqualification shall also apply when (a) such person is currently subject to an effective order of the Commission, BSP or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code of the Philippines, Securities Regulation Code, or any other law administered by the Commission or BSP, or under any rule or regulation promulgated by the Commission or BSP; (b) such person has otherwise restrained to engage in any activity involving securities and banking; (c) such person is currently subject of an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;
- c) Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;

- d) Any person who has been adjudged by final judgment or order of the Commission, BSP, court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Revised Corporation Code of the Philippines, or any other law administered by the Commission, or any rule, regulation or order of the Commission or the BSP;
- e) Any person judicially declared to be insolvent;
- f) Any person finally found guilty by a 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;
- g) Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five (5) years prior to the date of his election or appointment;
- h) Other grounds as the Commission may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws. *((as amended in a meeting of the Board of Directors held on August 17, 2010 and further amended by resolution on July 8, 2020)*

#### **1.4 Temporary Disqualification**

The following are grounds for temporary disqualification of incumbent directors:

- a) 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.
- b) Absence or non-participation for whatever reason(s) in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, 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, termination or removal for cause from directorship in any publicly-listed corporation, 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 of any involvement in the cause that gave rise to his dismissal, termination or removal; (as amended by resolution of the Board of Directors on July 8, 2020)
- 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;
- e) Being under preventive suspension by the Corporation for any reason;
- f) If any of the judgments or orders referred to in the grounds for permanent disqualification of directors has not yet become final.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board. When temporarily disqualified by the Board, the director shall, within sixty (60) business days from such disqualification, correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification becomes permanent. (as amended in a meeting of the Board of Directors held on August 17, 2010)

### **1.5 Independent Directors**

- a) Independent directors shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.
- b) The Corporation shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties for such committees. Independent directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Corporation shall cover the reasonable expenses of providing such support.

- c) The Board's independent directors shall serve for a maximum cumulative term of nine (9) years after which, the independent director shall be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation wants to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification and seek shareholders' approval during the annual shareholders' meeting.
  
- d) The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer or its equivalent are held by one person.

An independent director refers to a person who, ideally:

- a) is not or has not been a senior officer or employee of the Corporation, unless there has been a change in the controlling ownership of the Corporation;
  
- b) has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" directors, officers or members of any advisory board, or otherwise appointed in capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
  
- c) is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
  
- d) is not a relative of a director, officer, or substantial shareholder of the Corporation or any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
  
- e) is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
  
- f) is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a

director, officer, principal shareholder, nominee of the firm to the Philippine Stock Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

- g) is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder; or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- h) does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner; director or substantial 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 independent judgment within the two (2) years immediately preceding the date of his election;
- i) 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
- j) is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

"Related companies," as used in this section, refer to (a) the Corporation's holding or parent company; (b) its subsidiaries; and (c) subsidiaries of its holding or parent company. (as amended in a resolution of the Board of Directors dated July 8, 2020)

#### **1.6 Policy on Multiple Board Seats**

- a) A director shall exercise due discretion in accepting and holding directorships outside of the Corporation. A director may hold any number of directorships outside of the Corporation *provided* that in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Corporation.

- b) Any limitations in the number of directorship outside of the Corporation shall not include directorships in the Corporation's subsidiaries, affiliates, parent company, and affiliates and subsidiaries of the parent company.
- c) The non-executive directors of the Board shall not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.
- d) A director shall notify the Board where he is an incumbent director before accepting a directorship in another company. *(as amended in a resolution of the Board of Directors dated July 8, 2020)*

### **1.7 Board Meetings and Quorum Requirements**

- a) Members of the Board shall attend and actively participate in all regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by 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 directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.
- b) An independent director shall, as far as possible, be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.
- c) The absence of a director in more than fifty (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events. *(as amended by resolution of the Board of Directors on July 8, 2020)*

### **1.8 Remuneration of Directors**

In accordance with the By-laws of the Corporation, the members of the Board of the Corporation shall not receive any remuneration from the Corporation as such director,

except reasonable per diems. (as amended in a meeting of the Board of Directors held on August 17, 2010 and further amended by resolution on July 8, 2020)

## **1.9 General Responsibility of the Board for Good Governance**

- a) ***A director's office is one of trust and confidence.*** He should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress over the long term.
  
- b) ***Compliance with the principles of good governance shall start with the Board of Directors.*** It shall be the Board's responsibility to foster the long-term success of the Corporation in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.
  
- c) ***To ensure good governance of the Corporation, the Board should establish the vision and mission and strategic objectives and key policies and procedures*** for management of the Corporation, as well as the mechanism for monitoring and evaluating Management's performance.
  
- d) ***To the extent set forth above, the Board of Directors shall orient all its activities towards these general guidelines:***
  - d.1) ***All actions taken by the Board are subject to the principle of legal permissibility.*** They must therefore not infringe on the appropriate provisions of Philippine law and the Corporation's constitutive documents.
  
  - d.2) ***All actions taken by the Board are subject to the principle of economic usefulness.*** They should accordingly contribute to increasing the value of the Company in a sustainable manner.

- e) ***The Board shall ensure the presence and adequacy of internal control mechanisms for good governance.*** The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
- e.1) Ensuring the presence of organizational and procedural controls, supported by an effective management information system and enterprise risk management framework and reporting system;
  - e.2) Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
  - e.3) Appointing a Chief Executive Officer ("CEO") with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;
  - e.4) Reviewing proposed appointments to senior management and officer and director positions;
  - e.5) Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;
  - e.6) Institutionalizing the internal audit function;
  - e.7) Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.
  - e.8) Setting 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;
  - e.9) Adopting a Code of Business Conduct and Ethics which would provide standards for professional and ethical behavior, as well as acceptable and unacceptable conduct and practices in internal and external dealings of board members. The Code shall be properly disseminated to all members of the Board and the Corporation's employees through orientations and trainings. It shall also be disclosed and made available

to the public through the company website. The Board shall ensure the proper and efficient implementation and monitoring with the Code;

- f) **The Board shall establish policies, programs, and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance.** Moreover, the Board shall establish a suitable framework for whistleblowing that allows employees to communicate their concerns about illegal or unethical practices, without fear of retaliation, and to have access to an independent member of the Board or a unit created to handle whistleblowing concerns. (as amended by resolution of the Board of Directors on July 8, 2020)

#### **1.10 Specific Duties of the Board of Directors**

The Board shall exert its best effort to ensure a high standard of best practice for the Corporation. To do so, it shall perform all the functions which it is required to perform in the Corporation's By-Laws and, additionally, shall:

- a) Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings shall be minuted;
- b) Constitute the Committees set forth in this Manual;
- c) Select and appoint a President/CEO and other senior officers with the appropriate level of motivation, integrity, competence and professionalism;
- d) Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Corporation;
- e) Provide sound written policies and strategic guidelines on key capital expenditures, establish programs that can sustain its long-term viability and strength, and periodically evaluate and monitor implementation of such strategies, including the business plans, operating budgets and Management's overall performance;

- f) Ensure that the Corporation complies with all relevant laws, regulations and as far as possible best business practices;
- g) Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the Commission and the Corporation's stakeholders on matters of importance;
- h) Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be regularly reviewed and updated for effectiveness;
- i) Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
- j) Be primarily responsible to the stockholders for financial reporting and control, and provide all stakeholders relevant and timely information about the Corporation, including an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the Commission, and maintain a sound system of internal control to safeguard stakeholders' investment and the Corporation's assets;
- k) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit and Risk Committee;
- l) Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;
- m) Attend a seminar on corporate governance conducted by a duly recognized private or government institute not later than sixty (60) days from assumption of office, except if the director has previously complied with this requirement (*as amended in a meeting of the Board of Directors held on March 27, 2008*);

- n) 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; appoint competent, professional, honest and highly-motivated management officers; adopt an effective succession planning program for Management;
- o) Identify the sectors 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;
- p) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions (RPTs) between and among the Corporation and its parent company, 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

The following are suggestions for the content of the policy on RPTs (the “RPT policy”):

- Identification of related parties;
- Coverage of RPT policy;
- Guidelines in ensuring arm’s length terms;
- Identification and prevention or management of potential or actual conflicts of interest which may arise;
- Adoption of materiality thresholds, as well as internal limits for individual and aggregate exposures;
- Approval of material RPTs based on the Corporation’s materiality threshold;
- Disclosure requirement of material RPTs;
- Self-assessment and periodic review of policy;
- Whistle-blowing mechanisms;
- Restitution of losses and other remedies for abusive RPTs.

- q) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or difference between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;

- r) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-laws, and in accordance with existing regulations;
- s) Appoint a Compliance Officer in accordance with the requirements of this Manual and applicable laws and regulations, who shall have a senior rank or position with adequate stature and authority in the Corporation and who is a member of the Company's Management team in-charge of the compliance function. He should not be a member of the Board of Directors and shall annually attend a training on corporate governance. He shall be primarily liable to the Corporation and its shareholders, and not to the Chairman or President of the Corporation. (as amended in a meeting of the Board of Directors held on August 17, 2010 and further amended by resolution on July 8, 2020)
- t) Establish an Audit and Risk Committee to enhance its oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.
- u) Establish a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nomination and Remuneration Committee.
- v) Adopt a retirement policy for directors and key officers. (as amended by resolution of the Board of Directors on July 8, 2020)

### **1.11 Specific Responsibilities of each Director**

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

In addition to the duties and responsibilities of a Director set forth in the Corporation's By-Laws and existing relevant statutes, a Director shall:

- a) ***Conduct fair business transactions with the Corporation and ensure that personal interest does not conflict with the interests of the Corporation.*** A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual. A director shall not receive remuneration or salary from the Corporation.
- b) ***Devote time and attention necessary to properly discharge his duties and responsibilities.*** A director should devote 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. A director should attend and actively participate in Board meetings, review meeting materials, and, if called for, ask questions or seek explanation.
- c) ***Act judiciously.*** Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek clarifications as appropriate.
- d) ***Exercise independent judgment.*** A director should view each problem/situation objectively and support plans and ideas which he believes are beneficial to the Corporation. 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.
- e) ***Have a working knowledge of the statutory and regulatory requirements affecting the Corporation.*** This includes a firm knowledge of the contents of the Articles of Incorporation and By-laws of the Corporation and the amendments thereof, the requirements of the Commission for the conduct of the Corporation's business, and where applicable, the requirements of other 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 shall observe the confidentiality of non-public information he may acquire or learn by reason of his position as a director. He should not disclose any confidential information to any unauthorized person without the authority of the Board.

- g) ***Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.*** Each director is responsible for assuring that actions taken by the Board shall maintain the adequacy of the control environment within the Corporation.
  
- h) ***Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all shareholders and all stakeholders.*** Each director shall disclose to the Board his directorships with other companies. *(as amended by resolution of the Board of Directors on July 8, 2020)*

### **1.12 Liability of Directors**

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other persons.

When a director 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.

## **2. Board Committees**

The Board of Directors may create such standing committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance. As a minimum, however, the Board shall be supported by the following committees:

### **2.1 Membership Committee**

- a) The Board shall form a Membership Committee and appoint from among themselves not less than three (3) members to the Membership Committee, one of whom shall be designated by the Board as Chairman of the Membership

Committee. The Membership Committee shall have the following duties and responsibilities:

- a.1) Establish guidelines and procedures governing the processing of applications for membership in accordance with the By-laws;
  - a.2) Evaluate applications for membership and determine compliance by applicants with the qualifications established by the Board for membership in the Corporation;
  - a.3) Approve or disapprove applications for membership in the Corporation;
  - a.4) Submit to the Board its recommendations for qualifications for membership in the Corporation in addition to those prescribed in the By-laws;
  - a.5) Exercise such other powers and the performance of such functions as may be authorized by the Board of Directors.
- b) The Membership Committee shall act by a majority vote of all its members. The Membership Committee shall fix its own rules of procedure. An act of the Membership Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, *provided however* that the Board of Directors may, at any time, enlarge or redefine the powers of the Membership Committee. All actions of the Membership Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the Board of Directors, *provided* that no rights or acts of third parties shall be affected by any such revision or alteration.

## **2.2 Finance Committee**

The Board shall form a Finance Committee and appoint from among themselves not less than three (3) members to the Finance Committee, one of whom shall be designated by the Board as Chairman of the Finance Committee. It shall have the following duties and responsibilities:

- a) Advise the Board of Directors on all matters affecting the finances of the Corporation, including conducting a periodic review of financial policies and the financial operations of the Corporation;
- b) Establish a formal and transparent procedure for developing a policy on remuneration packages of employees ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;
- c) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain key personnel who are needed to run the Corporation successfully;
- d) Disallow any proposal for a director to receive any form of remuneration by reason of his position as director;
- e) Review the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts;
- f) In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

### **2.3 Audit and Risk Committee**

The Board shall form an Audit and Risk Committee and appoint from among themselves not less than three (3) members to the Audit and Risk Committee, one of whom shall be an independent director and another member shall have experience in auditing. The independent director shall chair the Audit and Risk Committee.

The Audit and Risk Committee shall formulate a Charter which shall include the responsibility of 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 shall also

contain the Audit and Risk Committee's responsibility on reviewing and monitoring the external auditor's sustainability and effectiveness on an annual basis.

- a) Each member of the Audit and Risk Committee shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.
  
- b) The Audit and Risk Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Corporation. It shall have the following particular duties and responsibilities:
  - b.1) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
  
  - b.2) 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;
  
  - b.3) Be responsible for setting up an internal audit group, as needed, and consider the appointment of the Internal Auditor; establish and identify the reporting line of the Internal Auditor so that the reporting levels allow the internal audit activity to fulfill its responsibilities;
  
  - b.4) Ensure that the Internal Auditor or internal audit group has free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;
  
  - b.5) Provide oversight of the Corporation's internal and external auditors;
  
  - b.6) Pre-approve all audit plans, scope and frequency before the conduct of internal and external audit;

- b.7) Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed;
- b.8) Elevate to international standards the accounting and auditing processes, practices and methodologies;
- b.9) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a procedures and policies handbook that will be used by the entire organization;
- b.10) Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
- b.11) Review the periodical financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirements;
- b.12) Recommend and review the appointment of external auditors and their remuneration;
- b.13) Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The amount of non-audit work shall be disclosed in the annual report;
- b.14) 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;

The Board shall ensure that risk management policies and procedures exist and review the risk management framework and processes. It shall monitor the risk management

activities of the Corporation and evaluate the effectiveness of risk mitigation strategies and action plans.

When formed, the Internal Audit group of the Corporation shall support the Audit and Risk Committee in the rendition of its functions.

The non-executive directors shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Corporation. The meetings shall be chaired by the lead independent director, if applicable. (as amended by resolution of the Board of Directors on July 8, 2020)

#### **2.4 Executive Committee**

The Board shall form an Executive Committee and appoint from among themselves not less than three (3) members to the Executive Committee, one of whom shall be the President. The Board, by the vote of at least a majority of the remaining directors still constituting a quorum, shall have the power at any time to elect, remove for any cause, and replace the members of, and fill vacancies in, the Executive Committee. The members of the Executive Committee shall appoint a Chairman from among themselves. Every decision of the Executive Committee shall require the affirmative vote or written assent of a majority of the members of the Executive Committee constituting a quorum. The Executive Committee shall have, and may exercise, in the intervals between meetings of the Board, all of the powers of the Board in the day-to-day management of the business and affairs of the Corporation, except with respect to:

- (a) Approval of any action for which stockholders' approval is also required;
- (b) Filling of vacancies in the Board or in the Executive Committee;
- (c) Amendment or repeal of the Corporation's By-Laws or the adoption of new By-laws;
- (d) Amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and

- (e) Such other matters as may be specifically excluded or limited by Philippine Law or the Board. (as amended in a meeting of the Board of Directors held on August 17, 2010 and further amended by resolution on July 8, 2020)

## **2.5 Nomination Committee**

The Board shall form a Nomination Committee and appoint from among themselves not less than three (3) members to the Nomination Committee, one of whom is an independent director.

- a) It shall have the following responsibilities:
- a.1) To promulgate the guidelines or criteria to govern the conduct of the nomination of the members of the Board of Directors in accordance with Rule 38 of the Securities Regulation Code and its implementing rules and regulations and any amendments thereto;
  - a.2) To review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval;
  - a.3) To assess the effectiveness of the Board's processes and procedures in the election of replacement of directors.
- b) The procedure for nomination shall be as follows:
- b.1) All nominations shall be submitted to the Nomination Committee by any stockholder of record during the nomination period as may be determined by the Nomination Committee; *provided*, that the last day of the nomination period shall not be less than forty-five (45) calendar days prior to the annual stockholders' meeting to allow the Nomination Committee sufficient time to assess and evaluate the qualifications of the nominees;
  - b.2) All recommendations for the nomination of independent director shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees;

- b.3) After the nomination, the Nomination Committee shall prepare a List of Candidates which shall contain all the information about all the nominees for election as members of the Board of Directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Corporation will be requested to submit to the Commission;
- b.4) The name of the person or group of persons who recommended the nomination of the independent director(s) shall be identified in such report including any relationship with the nominee;
- b.5) Only nominees whose names appear on the List of Candidates shall be eligible for election as directors. No other nominations for election as director shall be entertained after the List of Candidates shall have been prepared and finalized. No further nominations for election as director shall be entertained or allowed on the floor during the actual annual stockholders' meeting. (as amended in a meeting of the Board of Directors held on August 17, 2010 and further amended by resolution on July 8, 2020)

## **2.6 Corporate Governance Committee**

The Board shall establish a Corporate Governance Committee which shall be composed of at least three (3) directors, a majority of whom shall be independent directors, including the Chairman.

It shall have the following duties and functions among others:

- a. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity of operations 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 the executive management, and conducts an annual evaluation of the said performance;

- c. Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommend the continuing education or training programs for directors, assignment of tasks/project 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 ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Propose and plan relevant trainings for the members of the Board;
- g. Determine the nomination and election process for the directors and defines the general profile of Board members that the Corporation may need, and ensure that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and elections; and
- h. Establish a formal and transparent procedure for determining the remuneration of directors and officers (as applicable) that is consistent with the Corporation's culture and business strategy as well as the business environment in which it operates.

All established committees shall formulate Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting, processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and its members. (as amended by resolution of the Board of Directors on July 8, 2020)

## ARTICLE III

### MANAGEMENT

#### 1. General Responsibilities of Management

- a) Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with information technology strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.
- b) Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner.

#### 2. Executive Officers of the Corporation

The Executive Officers of the Corporation are the Chairman, Vice-Chairman, President who shall be the CEO of the Corporation, Vice-President, Treasurer and/or the CFO, and the Corporate Secretary. The Executive Officers shall be appointed by the Board of Directors. In addition:

- i) The Board of Directors may, in its discretion and in accordance with the By-Laws, appoint one or more Assistant Corporate Secretaries, Assistant Treasurers, and such other officers as it may deem proper.
- ii) The roles of the Chairman and the President shall, as much as practicable, be separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. A clear delineation of functions

should be made between the Chairman and the President upon their election. (as amended by resolution of the Board of Directors on July 8, 2020)

**a) Chairman of the Board**

The Chairman of the Board shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. In addition to the duties specified in the By-laws, the Chairman shall:

- a.1) Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations and ensure these are held in accordance with the By-laws or as the Chairman deems necessary;
- a.2) Supervise the preparation of the meeting agenda in coordination with the Corporate Secretary, focusing on strategic matters including overall risk appetite of the Corporation and taking into consideration the suggestions of the President, Management and directors and developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- a.3) Maintain accurate, qualitative and timely lines of communication and information between Management and the Board;
- a.4) Make certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- a.6) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- a.7) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- a.8) Assure the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and

- a.9) Make sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary. (as amended by resolution of the Board of Directors on July 8, 2020)

**b) Vice-Chairman**

In the absence of the Chairman of the Board, the Vice-Chairman shall preside at meetings of the Board.

**c) President/ CEO**

Minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on him by the By-laws and the Board of Directors, the President shall:

- c.1) Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
- c.2) See that all orders and resolutions of the Board of Directors are carried into effect;
- c.3) Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;
- c.4) Report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice.

The President/ CEO shall have such other responsibilities as the Board of Directors may impose upon him.

**d) The Vice-President**

The Vice-President shall act in place of the President in case of resignation, absence or incapacity of the latter. He shall perform such functions as may be delegated to him by the President or by the Board of Directors.

**e) The Treasurer**

The Treasurer of the Corporation shall be a resident of the Philippines. He shall have charge of the funds, securities, receipts and disbursements of the Corporation. In addition to the duties specified in the By-laws, the Treasurer shall have the following functions:

- e.1) Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- e.2) Regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- e.3) Ensure funds availability on a timely basis and at the most economical means;
- e.4) Optimize yields in temporary excess funds;
- e.5) Ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him. *(as amended by resolution of the Board of Directors on July 8, 2020)*

**f) The Chief Finance Officer (“CFO”)**

The Chief Finance Officer shall be appointed by the Board of Directors. The CFO, who may also be the Treasurer of the Corporation shall, in addition to the duties specified in the By-laws, be responsible for the following:

- f.1) Provide management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

- f.2) Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- f.3) Strengthen internal controls by monitoring compliance with policies; recommend to management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The Chief Finance Officer shall have such other responsibilities as the Board of Directors may impose upon him.

**g) The Corporate Secretary**

The Corporate Secretary shall be a resident and citizen of the Philippines who shall be a separate individual from the Compliance Officer. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He shall not be a member of the Board of Directors and shall annually attend a training on corporate governance. He must also have some financial and accounting knowledge.

In addition to the duties specified in the By-laws, the Corporate Secretary shall have the following functions:

- g.01) Serve as an adviser to the directors on their responsibilities and obligations;
- g.02) Keep the minutes of meetings of the stockholders the Board of Directors , and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- g.03) Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
- g.04) Have charge of the stock certificate book and such other books and papers as the Board may direct;

- g.05) Attend to the giving and serving of notices of Board and shareholder meetings;
- g.06) Be fully informed and be part of the scheduling process of other activities of the Board;
- g.07) Prepare an annual schedule of Board meetings and the regular agenda of meetings, and put the Board on notice of such agenda, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting;
- g.08) Oversee the adequate flow of information to the Board prior to meetings;
- g.09) Ensure fulfillment of disclosure requirements to the Commission.
- g.10) Be loyal to the mission, vision and objectives of the Corporation;
- g.11) Work fairly and objectively with the Board, Management and stockholders;
- g.12) Have appropriate administrative and interpersonal skills;
- g.13) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- g.14) Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- g.15) Have a working knowledge of the operations of the Corporation;
- g.16) Perform such other duties and responsibilities as may be provided by the Board and the Commission.

The Board shall have separate and independent access to the Corporate Secretary. *(as amended in a meeting of the Board of Directors held on August 17, 2010 and further amended by resolution on July 8, 2020)*

**h) The Compliance Officer**

The Board shall appoint a Compliance Officer who shall have a senior rank or position with adequate stature and authority in the Corporation. He shall not be a member of the Board of Directors and shall annually attend a training on corporate governance. He shall report directly to the Chairman of the Board. He shall perform the following duties:

- h.1) Operationalize this Manual and monitor compliance by the Corporation with this Manual and the rules and regulations 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;
- h.2) Appear before the Securities and Exchange Commission when summoned in relation to compliance with this Manual;
- h.3) Issue a certification as may be required by the Securities and Exchange Commission on the extent of the Corporation's compliance with this Manual for the completed year and, if there are any deviations, explain the reason for such deviation. (as amended in a meeting of the Board of Directors held on August 17, 2010)
- h.4) Provide the Commission at the end of every fiscal year with a sworn certification that the requirement for independent directors and their attendance at meetings in accordance with relevant rules of the Commission has been complied with. The said certification may be submitted with the Corporation's current report (SEC Form 17-1) or on a separate filing;
- h.5) Identify, monitor, control and address possible areas of compliance risk issues and work towards the resolution of the same;
- h.5) Ensure the attendance of Board members and key officers to relevant trainings;  
and
- h.6) Determine violations of this Manual and create a system for according due notice, hearing, and due process for dealing with violations of the Manual;
- h.7) Attend annual trainings on corporate governance;
- h.8) Perform such other duties and responsibilities as may be provided by the Board and the Commission.

The appointment of the Compliance Officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such

shall be addressed to the Compliance Officer. (as amended by resolution of the Board of Directors on July 8, 2020)

## ARTICLE IV

### GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.

- a) A conflict of interest exists when a director or an officer of the Corporation:
  - a.1) Supplies or is attempting or applying to supply goods or services to the Corporation;
  - a.2) Supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
  - a.3) By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
  - a.4) Is offered or receives consideration for delivering the Corporation's business to a third party;
  - a.5) Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation.
  
- b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

- c) A contract of the Corporation with one or more of its directors or officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity is voidable, at the option of the Corporation, unless all the following conditions are present:
- c.1) The presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
  - c.2) The vote of such director was not necessary for the approval of the contract;
  - c.3) The contract is fair and reasonable under the circumstances;
  - c.4) In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; *provided* that full disclosure of the adverse interest of the director involved is made at such meeting; and *provided further* that the contract is fair and reasonable under the circumstances.

- d) 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 by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.
- e) The Company shall have a policy requiring all directors and officers to disclose or report to the Corporation any dealings in the Corporation's shares by the said directors and officers within five (5) business days. (as amended by resolution of the Board of Directors on July 8, 2020))

## ARTICLE V

### AUDIT AND COMPLIANCE

#### 1. Internal Audit

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

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

- d) The Board shall adopt an Internal Audit Charter. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

#### 2. External Audit

- a) The Board, after consultations with the Audit and Risk Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit of the Corporation and shall provide an objective assurance on the manner by which the financial statements shall have been prepared and presented to the stockholders. 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 his duties as independent auditor, or does not pose a threat to his independence.

- b) The External Auditor shall:
- b.1) Perform fair audits independently from the Corporation, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;
  - b.2) Check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
  - b.3) Attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
  - b.4) Perform such other functions as may be approved by the Board in its engagement of the auditor, *provided, however*, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
- c) The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.
- d) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, 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.
- e) If an external auditor believes that the statements made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall also give his comments or present his views on the matter in said reports. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

### **3. Compliance System**

To insure adherence to corporate governance principles and best practices, the Chairman of the Board shall appoint a Compliance Officer in accordance with this Manual. The Compliance Officer shall perform the duties specified herein. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

### **4. Assessments**

A self-assessment will be regularly conducted to measure the performance of the Board and Management in accordance with the criteria provided in this Manual, using the questionnaire and the rating system duly approved by the Board of Directors. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

## **ARTICLE VI**

### **COMMUNICATION AND INFORMATION**

#### **1. Management's Responsibility for Information**

- a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall formulate under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control, which shall:
  - a.1) Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
  - a.2) Clearly explain the extent of Management's responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor;
  - a.3) Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;

- a.4) Maintain an effective system of internal control that will ensure the integrity of the financial reports and protection of the Corporation's assets for the benefit of all stockholder and other stakeholders;
- a.5) Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover at least the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
- a.6) Require the Internal Auditor to render to the Audit and Risk Committee an annual report on the internal audit department's activities and responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Risk Committee of the Board. Such annual report shall include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Auditing Standard. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards;
- a.7) Require the external auditor to be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation to be changed with the same frequency;
- a.8) Consistently comply with the financial reporting requirements of the Commission.
- b) Management shall be primarily responsible for the complete, adequate and timely flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

## **2. Communication of this Manual**

This Manual shall be submitted to and made available at the Commission. It shall also be available on the Corporation's website and for inspection by any stockholder of the Corporation at its principal office during reasonable hours on a business day. (as amended in a resolution of the Board of Directors on July 8, 2020)

## **3. 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 the Management and dominant shareholders to mismanage the Corporation or misappropriate its assets.

It is therefore essential that all material information about the Corporation, including non-financial information, which could adversely affect its viability or the interest of its shareholders 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, related party transactions, direct and indirect remuneration of members of the Board and Management, the Corporation's strategic (long-term goals) and operational objectives (short-term goals), as well as sustainability issues. The Board shall therefore commit at all times to full disclosure or material information dealings. It shall cause the filing of all required information and submissions to the Commission for the interest of its stockholders and other stakeholders. (as amended in a resolution of the Board of Directors on July 8, 2020)

## **ARTICLE VII**

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

#### **1. Shareholder Rights**

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

##### **a) Voting Right**

Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code, Articles and the By-laws of the Corporation. (as

*amended in a meeting of the Board of Directors held on August 17, 2010 and as further amended by resolution on July 8, 2020)*

**b) Pre-emptive Right**

All stockholders have pre-emptive rights to subscribe to the capital stock of the Corporation, unless such right is specifically denied or restricted in the Articles of Incorporation or any amendment thereto. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

**c) Right of Inspection**

Shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries in accordance with the Revised Corporation Code and shall be provided an annual report, including financial statements. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

**d) Right to Information**

Upon request and for a legitimate purpose, a shareholder shall be provided, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the Management should include such information and, if not

included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

**e) Right to Assets Upon Dissolution**

Shareholders shall be entitled to a pro-rata share of the assets of the Corporation at the time of dissolution or liquidation thereof for as long as the shares issued by the Corporation to such shareholders are proprietary shares.

**f) Appraisal Right**

In accordance with the Revised Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

- f.1) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- f.2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- f.3) In case of merger or consolidation.

**2. Duty of Directors to Promote Shareholders' Rights**

It is the duty of the directors to promote shareholders' rights, remove impediments to the exercise of those rights and provide effective redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights in accordance with the By-laws and the solution of collective action problems through appropriate mechanisms.

The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-one (21) days before the meeting.

The Board shall encourage active shareholder participation by making the result of the votes on matters taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day as much as possible. In addition, the minutes of the Annual and Special Shareholders' Meeting shall be available on the Corporation's website within five (5) business days from the date of the meeting.

The Board shall ensure that the Corporation's Membership Office constantly engage with and communicate with its shareholders. Representatives of the Membership Office shall be present at every shareholders' meeting. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

## **ARTICLE VIII**

### **RIGHTS OF STAKEHOLDERS**

The Corporation shall respect the rights of stakeholders established by law, by contractual relations and through voluntary commitments.

- a) The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability.
- b) The Board shall establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

## **ARTICLE IX**

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

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's directors, officers, and staff, in case of violation of any of the provisions of this Manual:

- a) In case of a first violation, the subject person shall be reprimanded;

- b) In case of a second violation, suspension from office or employment shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
- c) In case of a third violation, removal from office or employment. The commission of a third violation of this Manual by any member of the Board shall be a sufficient cause for removal from directorship.

## **ARTICLE X**

### **REVIEW AND AMENDMENT OF MANUAL**

- 1. The provisions of this Manual and the enforcement thereof shall be subject to annual review unless otherwise stated by the Board.
- 2. This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements. *(as amended in a resolution of the Board of Directors on July 8, 2020)*

## **ARTICLE XI**

### **ADOPTION AND EFFECTIVITY**

This Amended Manual was adopted by the Board of Directors of the Corporation on July 8, 2020. It shall be effective on the said date.

**SIGNED:**

  
**JAIME E. YSMAEL**  
Chairman of the Board