



# LOGISTICS HOLDINGS CORP.

July 21, 2020

## SECURITIES AND EXCHANGE COMMISSION

PICC Complex, Roxas Boulevard, Pasay City

Attention: **Atty. Rachel Esther J. Gumptang-Remalante**  
Director, Corporate Governance and Finance Department

## PHILIPPINE STOCK EXCHANGE, INC.

6/F PSE Tower  
5<sup>th</sup> Avenue corner 28<sup>th</sup> Street  
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**  
Head, Disclosure Department

Re : Amendment of Manual on Corporate Governance  
of AyalaLand Logistics Holdings Corp. (ALLHC)

Dear Mesdames and Gentlemen:

We submit herewith ALLHC's Manual on Corporate Governance (Manual) revised as of May 14, 2020.

The amendments in the Manual are as follows:

1. Inclusion of a new provision on retirement age for directors (Art. III, Sec. 1.4) and renumbering of succeeding paragraphs;
2. Application of the limitation of 5 board seats to independent directors instead of non-executive directors (Art. III, Sec. 1.7);
3. Increase in the required attendance in meetings from 50% to 75%, such that absence or non-participation in more than 25% of the meetings is a ground for temporary disqualification of directors for purposes of re-election (Article III, Sec.1.6, b);
4. Increase in the quorum requirement for Board decisions from "majority" to "two-thirds (2/3)" of the number of directors (Art. III, Sec. 1.8, a);
5. Increase in the number of Board meetings each year from "4" to "6" (Art. III, Sec 1.8, c);
6. Changed "semestral" reporting of the Board to stockholders to "periodic" reporting (Art. III, Sec. 2.2, j (i));
7. Deletion of period for submission of the certificate of attendance in corporate governance seminars (Art. III, Sec. 2.3, i);
8. Change of "Audit and Risk Committee" to "Audit Committee" (Art. III, Sec. 3.2, heading and in subsections a and b), and deletion of functions pertaining to risk oversight from the Audit Committee (Art. III, Sec. 3.2 b (v)). As a result, references to Audit and Risk Committee were changed to Audit Committee in the following provisions of the Manual: Art. III, Sec. 2.2 (b)- 1<sup>st</sup> line; Sec. 2.2 (j) (vii); Sec. 2.2 (k); Sec. 3.2 (b) (ii) 2; Art. V, Sec. 2 a-1<sup>st</sup> line; Art. V, Sec. 2, 2<sup>nd</sup> paragraph (subparagraphs a, c, e and f; Art. V, Sec. 3.1-1<sup>st</sup> line; Art. V, Sec. 3.3-2<sup>nd</sup> sentence; and Art. VI, Sec. 4.1 (vi);
9. Specified that the composition of the Audit Committee to be 3 non-executive directors, majority of whom are independent directors (Art. III, Sec. 3.2, a- 1<sup>st</sup> sentence);
10. Change of Corporate Governance Committee to "Corporate Governance and Nomination Committee" (CGNC) (Art. III, Sec. 3.3- heading and 1<sup>st</sup> sentence);

11. Change in the composition of the CGNC to "three (3) members, all of whom are independent directors" (Art. III, Sec. 3.3, 1<sup>st</sup> sentence);
12. Change of Compensation and Remuneration Committee to "Personnel and Compensation Committee" (Art. III, Sec. 3.4, heading and paragraph 1, 1<sup>st</sup> sentence);
13. Change in the composition of the Personnel and Compensation Committee (PerCom) to "three (3) members, majority of whom are independent directors" (Art. III, Sec. 3.4, paragraph 1, 1<sup>st</sup> sentence);
14. Specified that "performance-based" compensation be provided for management and key personnel (Art. III, Sec. 3.4, paragraph a, line 4);
15. Inclusion of additional duties and responsibilities of the PerCom (Art. III, Sec. 3.4 paragraphs g and h);
16. Inclusion of a new provision on Board Risk Oversight Committee, its composition, roles and responsibilities (Art. III, Sec. 3.5);
17. Inclusion of a new provision on Related Party Transactions (RPT) Review Committee, its composition, roles and responsibilities (Art. III, Sec. 3.6) and renumbering of succeeding provisions;
18. Deleted requirement that the chairman of the Sustainability Committee be an independent director (Art. III, Sec. 3.8, paragraph 1, 2<sup>nd</sup> sentence);
19. Increase in the number of independent directors from "at least 20% of the number of directors but in no case less than two" to "at least three (3) or one-third (1/3) of the number of directors, whichever is higher" (Art. III, Sec. 5.1, 2<sup>nd</sup> paragraph);
20. Specified that the Chief Risk Officer shall report to the Board Risk Oversight Committee instead of the Audit Committee (Art. IV, Sec. 4.1 paragraphs b, c and last paragraph); and
21. Specified that the alternative dispute resolution procedures available to the stockholders in case of intra-corporate disputes shall be those under Republic Act No. 9285 (Art. VII, Sec. 2, last paragraph).

Thank you.

Very truly yours,

JUNE VEE D. MONTECLARO-NAVARRO  
Corporate Secretary



**MANUAL ON  
CORPORATE GOVERNANCE**

(2020)

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## **Article I**

### **Introduction**

This Manual shall institutionalize the principles of corporate governance in the entire Corporation. The Corporation is committed to comply with the principles of good corporate governance. Pursuant thereto, the Corporation adopts this Manual and undertakes to observe the provisions of this Manual (including amendments and supplements thereto), the Code of Corporate Governance for Publicly-Listed Companies, Securities Regulation Code and other applicable laws, rules and regulations of the Securities and Exchange Commission (SEC) and best corporate practices, with the objective of promoting transparency, accountability and fairness in the dealings/transactions of the Corporation.

The Board of Directors, Management, employees, and shareholders believe that corporate governance is a necessary component of what constitutes sounds strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible. All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and stakeholders of the Corporation.

## Article II

### Definition of Terms<sup>1</sup>

- a) Corporate Governance – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal, and social obligations towards their stakeholders.

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.

- b) Board of Directors – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- c) Exchange – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities; refers to the Philippine Stock Exchange.
- d) Management – a group of executives given the authority by the Board of Directors to implement the policies that it has laid down in the conduct of the business of the Corporation.
- e) Independent Director – a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.
- f) Executive Director – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- g) Non-executive Director – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation.
- h) Conglomerate – a group of corporations that has diversified business activities in varied industries, whereby operations of such businesses are controlled and managed by a parent corporate entity.
- i) Non-audit Work – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions such as accounting, payroll, bookkeeping, reconciliation, computer, project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.
- j) Internal Control – a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial management information and compliance with applicable laws, regulations and the organization's policies and procedures.
- k) Internal Control System – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control

particular risk or business activity or combination of risks or business activities, to which the Corporation is exposed.

- l) Internal Audit – an independent and objective assurance activity designed to add value to and improve the Corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness or risk management, control and governance processes.
- m) Internal Audit Group – a unit of the Corporation and its consultants, if any, that provide independent and objective assurance and consulting services in order to add value and improve the Corporation's operations.
- n) Chief Audit Executive – heads the Internal Audit Group and is primarily responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.
- o) Enterprise Risk Management – a process, effected by an entity's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite and provide reasonable assurance regarding the achievement of entity objectives.
- p) Chief Risk Officer – accountable for enabling the efficient and effective governance of significant risks, and related opportunities, to a business and its various segments.
- q) Related Party – shall cover the Corporation's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Corporation exerts direct or indirect control over or that exerts direct or indirect control to the Corporation; the Corporation's directors, officers, shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Corporation.
- r) Related Party Transactions – a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- s) Stakeholders – any individual, organization or society at large who can either affect and/or be affected by the Corporation's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government, regulators, competitors, external auditors and community in which it operates.

Unless otherwise specified, all references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.

<sup>1</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

## **Article III**

### **Governance**

#### **1. 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. It shall be the Board's responsibility to promote and adhere in full to the principles and best practices of corporate governance and to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in the global environment in a manner consistent with its fiduciary responsibility and its corporate objectives and the long-term interest of the Corporation, its shareholders and other stakeholders.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

##### **1.1 Composition**

The Corporation shall be headed by a competent Board with collective working knowledge, skills, experience and expertise that is relevant to the Corporation's industry.<sup>2</sup>

The Board shall be composed of nine (9) members, more than 50% of whom shall be non-executive directors. Members of the Board 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.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

##### **1.2 Diversity**

The Board shall encourage the selection of a mix of competent directors, each of whom can add value and contribute independent judgment in the formulation of sound corporate strategies and policies. In the selection of candidates for the Board, the objectives set by the Board for its composition are to be seriously considered, as well as the required knowledge, abilities and experience needed to successfully manage the Corporation.

Careful attention must be given to ensure that there is diversity and independence. Board diversity is a move to avoid groupthink and ensure that optimal decision-making is achieved. Board diversity is not only limited to gender diversity, but also includes diversity in age, ethnicity, culture, skills, competence and knowledge.<sup>3</sup>

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<sup>2-3</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

### **1.3 Qualifications**

A director must have the following qualifications:

- a) Ownership of at least one (1) share of the capital stock of the Corporation;
- b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of the business of the Corporation or sufficient experience and competence in managing a business to substitute for such formal education;
- c) Membership in good standing in relevant industry, and membership in business or professional organizations; and
- d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.

### **1.4 Retirement Age**

With a view towards adopting an effective succession planning program for directors, as a general rule, the retirement age for directors is 80 years old, subject to such exceptions as may be approved by the Board of Directors, taking into account the relevant qualifications and invaluable contribution of the Director and the special circumstances affecting the Corporation.

### **1.5 Permanent Disqualifications**

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

- a) Any person convicted by final judgment or order by a competent judicial or administrative body of the following : (i) any crime involving the purchase or sale of securities, 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 Corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, 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, is permanently or enjoined by final judgment or order of the SEC, 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 (iii) engaging in or continuing any conduct or practice in connection with any of such capacities mentioned in subparagraphs (i) and (ii) above, or willfully violating the laws governing securities, and banking activities.

The disqualification shall also apply when (i) such person is currently subject to an effective order of the SEC, BSP or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or BSP, or under any rule or regulation promulgated by the SEC or BSP; (ii) such person is otherwise restrained to engage in any activity involving

securities and banking; (iii) such person is also disqualified when he is currently subject to 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 or fraud, embezzlement, thief, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, and other fraudulent acts;
- d) Any person who has been adjudged by final judgment or order of the SEC, BSP, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP;
- e) Any person judicially declared to be insolvent;
- f) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the enumerated previously; and
- g) 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 date of his election or appointment; and
- h) Other grounds as the SEC may provide
- i) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
  - i. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation; or
  - ii. If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
  - iii. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (i.i) or (i.ii).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

- j) An independent director, after serving for a cumulative term of nine (9) years, shall be perpetually barred from being elected as such in the Corporation, without

prejudice to being elected as non-independent director or independent director in other companies outside of the business conglomerate, where applicable, under the conditions provided for in the rules and regulations of the SEC.

### **1.6 Temporary Disqualifications**

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 twenty-five percent (25%) 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 for cause as director of any another publicly-listed company, registered issuer of securities and holder of a secondary license from the SEC. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.
- d. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- e. If any of the judgments or orders cited in the grounds for permanent disqualification 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.

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

### **1.7 Policy on Multiple Board Seats**

The Corporation shall ensure that adequate time and attention is given to the fulfilment of each director's duties. Independent directors shall hold no more than five (5) board seats or directorships in any group of publicly-listed companies and executive directors shall hold no more than two (2) board seats in listed companies outside the Corporation's group.

### **1.8 Board Meetings and Quorum Requirements**

- a) Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the SEC. Two-thirds (2/3) of the number of directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business.
- b) The Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings. However, the absence of an

independent director shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.

- c) The Board shall designate the days when it shall meet, but it shall meet at least six (6) times each calendar year.
- d) At least once a year, the non-executive directors shall meet without any executives present.

## 2. Roles and Responsibilities of the Board

### 2.1 General Responsibilities of the Board

- a) 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 and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its stockholders and other stakeholders.
- b) 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.
- c) To the extent set forth above, the Board of Directors shall orient all its activities towards three general guidelines:
  - i. 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 laws and the Corporation's constitutive documents.
  - ii. All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Corporation in a sustainable manner.
  - iii. The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly-listed company.
- d) 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:
  - i. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
  - ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
  - iii. Appointing a President/Chief Executive Officer (CEO) with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the President;
  - iv. Reviewing proposed senior management appointments;

- v. 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;
- vi. Institutionalizing the internal audit function;
- vii. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

## 2.2 Specific Duties of the Board

The Board shall exert its best effort to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders. To do so, it shall perform all the functions which it is required to perform in the Corporation's By-Laws with honesty and integrity, 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 should be minuted;
- b) Constitute an Audit Committee and such other committees as are required in the By-Laws of the Corporation or it may deem necessary to assist the Board in the performance of its responsibilities and duties;
- c) Select and appoint a President 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, and periodically evaluate and monitor implementation of such strategies;
- 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 accurately, timely and effectively communicate with the SEC, the Exchange and the Corporation's stockholders and other 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 to render 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;
- j) The Board is primarily responsible to the stockholders for financial reporting and control, and should:
  - i. Provide to all stockholders relevant and timely information about the Corporation, including but not limited to a periodic report and an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the SEC;

- ii. 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;
  - iii. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
  - iv. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
  - v. Maintain a sound system of internal control to safeguard stockholders' investment and the Corporation's assets;
  - vi. 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;
  - vii. Require the Chief Audit Executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- k) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit 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) Create an internal self-rating system and conduct an annual performance assessment of the Board, its individual members, its committees, the President, and Management;
  - n) Cause the Corporation to participate in the corporate governance survey as may be prescribed by SEC, the Exchange or other relevant government agency;
  - o) Ensure that all directors, executives and employees adhere to the Corporation's Code of Ethics.

### **2.3 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 bias Board decisions. 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.
- b) Devote time and attention necessary to properly discharge his duties and responsibilities. A director should attend and actively participate in Board meetings.
- 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.
- e) Have a working knowledge of the statutory and regulatory requirements affecting the Corporation. This would include 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 PSE and SEC for the conduct of the Corporation's business, and where applicable, the requirements of other regulatory agencies.
- f) Observe confidentiality. A director shall observe the confidentiality of non-public information acquired by reason of his position as a director. He should not disclose any information to any other 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 maintain the adequacy of the control environment within the Corporation.<sup>4</sup>
- h) Exercise of 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 an honest belief that the action was taken in the best interest of the Corporation.
- i. Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution, and to attend relevant annual continuing training programs for directors in order to be informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation. If necessary, funds shall be allocated by the Corporation for this purpose.<sup>5</sup>
- j. Notify the Board where he is an incumbent director before accepting directorship in another company.

<sup>4</sup>SEC Memorandum Circular No 2, series of 2002

<sup>5</sup>Corporation Code, Section 31

## **2.4 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.

## **2.5 Compensation and Liability Insurance Coverage of Directors**

- a) Each director shall receive, for his services as director such amount as may be fixed by the stockholders for each regular or special meeting of the Board actually attended by him; provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving such compensation therefore as may be fixed from time to time by the Board of Directors.<sup>6</sup>

Subject to the approval of the stockholders, the Board of Directors shall be authorized to fix the per diems of directors attending board meetings, executive committee meetings and other committee meetings. The amounts per diem shall however be guided by reasonableness and industry practice.<sup>7</sup>

- b) Effective from the effective date of this Manual, no director shall be involved in deciding his or her own remuneration.<sup>8</sup>
- c) The Corporation, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense, liability insurance coverage for its directors.

## **3. Board Committees**

The Board of Directors may create such 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. Each Committee shall have its own charter which will set out the purpose, policies, membership, responsibilities, authority of each committee, including procedures and reporting processes to guide it in the performance of its functions, and the standards for evaluating its performance. As a minimum, however, the Board shall be supported by the following committees:

### **3.1 Executive Committee**

- a) The Board may appoint from among its members an Executive Committee composed of not less than three (3) members, and shall designate one of such members as Chairman of the Executive Committee.

<sup>6</sup> AyalaLand Logistics Holdings Corp. (ALLHC) By-laws, Article III, Section 7

<sup>7</sup> ALLHC By-laws, Article III, Section 12

<sup>8</sup> SEC Model

- b) The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, except with respect to<sup>9</sup>:
  - i. approval of any action for which shareholders' approval is also required;
  - ii. the filling of vacancies in the Board;
  - iii. the amendment or repeal of By-Laws or the adoption of new By-Laws;
  - iv. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and
  - v. the distribution of cash dividends to the shareholders.
- c) Two thirds (2/3) of the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive 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 Executive Committee. All actions of the Executive 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.

### **3.2 Audit Committee**

- a) There shall be an Audit Committee composed of three (3) non-executive members, a majority of whom shall be independent directors. The independent director shall chair the Audit Committee. The Chairman of the Audit Committee shall not be the chairman of the Board or of any other committees. Each member 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 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:
  - i. Financial Reporting
    - 1. Review the financial statements and all related disclosures and reports certified by the Chief Finance Officer (CFO) and released to the public and/or submitted to the SEC and for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements;
    - 2. Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from

<sup>9</sup>ALLHC By-laws, Article III, Section 9

the audit, going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements;

3. Review and approve the management representation letter before submission to the External Auditor;
4. Ensure that a transparent financial management system, supported by a Procedures and Policies Handbook that will be used by the entire organization is established, to ensure the integrity of internal control activities throughout the Corporation;
5. Elevate to international standards the accounting and auditing processes, practices and methodologies;
6. Ensure that actions and measures in case of findings of error or fraud in the financial statements and related disclosures are in place and followed;
7. Review unusual or complex transactions, including all related party transactions;
8. Communicate with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

ii. Internal Audit

1. Review and recommend approval of the Internal Audit Charter and subsequent revisions thereto to the Board. The Internal Audit Charter shall be periodically reviewed to ensure alignment with the International Standards for the Professional Practice of Internal Auditing (ISPPIA);
2. Set up the Internal Audit Group (IAG), including the appointment of the Chief Audit Executive (CAE). The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The CAE shall report directly to the Committee functionally. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal. The CAE shall set up the qualification criteria for internal auditors, subject to the approval of the Board through the Audit Committee;
3. Ensure that the Internal Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function and that the IAG shall be free from interference in determining its scope, performing its work and communicating its results;
4. Approve the Annual Internal Audit Work Plan and all deviations there from, ensuring that the audit resources are reasonably allocated to the areas of highest risk. In the event that outsourcing internal audit services is needed, the terms and conditions for outsourcing should be approved by the Committee;
5. Review reports of the Internal Auditors and regulatory agencies, where applicable, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues;
6. Review IAG's periodic reports and the Internal Audit Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned

projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the IAG's activities and performance relative to the audit plans and strategies approved by the Committee;

7. Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately;
8. Provide inputs on the performance of the IAG and communicating/discussing such inputs with the CFO who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole;
9. Institute special investigations as necessary and, if appropriate, hiring special counsel or experts to provide the necessary assistance;
10. Review evaluation of compliance with the Code of Conduct for management.

iv. External Audit

1. Recommend the appointment and removal of the External Auditors and the fixing of their remuneration to the Board. The Committee shall conduct an assessment of independence and professional qualifications and competence of the External Auditor and ensure that a rotation process is observed in the engagement of External Auditor.

The Corporation's External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.

2. Review and pre-approve the External Auditor's plans one (1) month before the conduct of external audit to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.

In this regard, the Committee shall discuss with the External Auditors, before the audit commences, the nature and scope of the audit, including the fees and terms, and ensure cooperation when more than one professional service firm is needed. In addition, the Committee shall review compliance of External Auditor with auditing standards.

3. Monitor the coordination of efforts between the External and Internal Auditors;
4. Ensure that the External Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function;
5. Review the reports of the External Auditors and regulatory agencies, where applicable, and ensuring that management is taking appropriate corrective actions in a timely manner, including addressing control, governance and compliance issues;
6. Conduct a separate meeting in executive session, with the External Auditors to discuss any matter that the Committee or External Auditors believe should be discussed privately, including the results of the audit,

- year-end financial statements, and the quality of management, financial and accounting controls;
7. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the External Auditor and in relation to the Corporation's year-end financial statements, and 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 both audit and non-audit work of External Auditors shall be disclosed in the annual report;
  8. Ensure that there is a process in place for understanding disagreements between the External Auditor and the management of the Corporation.

### **3.3 Corporate Governance and Nomination Committee**

The Corporate Governance and Nomination Committee shall be composed of at least three (3) members, all of whom are independent directors, and shall have the following functions<sup>10</sup>:

- a) Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate with due consideration of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b) Oversee the periodic performance evaluation of the Board and its committees as well as executive management and conduct an annual self-evaluation of its performance;
- c) Ensure that the results of the Board evaluation are shared, discussed and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d) Plan and recommend continuing education and training programs for directors, assignment of tasks and projects to board committees, succession plan for the board members and senior officers;
- e) Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented;
- f) Determine the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of board members that the Corporation may need;
- g) Establish and maintain a process to ensure that all candidates/nominees to be nominated for election as directors at the Annual Stockholders' Meeting are qualified in accordance with the By-laws, Manual of Corporate Governance and relevant laws, rules and regulations and possess none of the disqualifications stated in the Corporation's Manual on Corporate Governance;
- h) Encourage the selection of a mix of competent directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. In the selection of candidates, the objectives set by the Board regarding its composition are to be seriously considered, as well as the

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<sup>10</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

required knowledge, abilities and experience needed to successfully manage the Corporation. Careful attention must be given to ensure that there is independence and diversity, and appropriate representation of women in the Board, subject to the possession of the knowledge, abilities and experience determined by the Board as necessary for the Board to properly perform its functions;

- i) Prepare the final list of candidates for election as directors, including the independent directors, and ensure that all recommendations are signed by the nominating stockholder and accepted by the would-be nominees;
- j) Review and evaluate the qualifications of persons nominated to positions in the Corporation which require appointment by the Board, and provide guidance and advice as necessary for the appointments of persons nominated to other positions.
- k) Review and disclose succession plans for members of the Board and Key Officers;
- l) Provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors.
- m) Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time.

The Committee shall be guided by the Corporation's mission and vision in the fulfillment of its functions.

### **3.4 Personnel and Compensation Committee**

The Personnel and Compensation Committee shall be composed of at least three (3) members, majority of whom shall be independent directors, and shall have the following duties and responsibilities:

- a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and corporate officers, and provide oversight over remuneration of senior management and other key personnel ensuring that performance-based compensation is provided for and consistent with the Corporation's culture, strategy and control environment;
- b) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;
- c) Develop a form of Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- d) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;

- e) Review and recommend changes to 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) Provide for in Corporation's annual report the Corporation's fee structure of non-executive directors, and independent directors;
- g) Ensure that the Corporation's compensation is competitive and aligns the long-term interests of the corporate officers and directors with those of the Corporation;
- h) Ensure that executive compensation is based on fair and transparent performance evaluation process.

No member of the Personnel and Compensation Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

### **3.5 Board Risk Oversight Committee**

There shall be a Board Risk Oversight Committee composed of three (3) members, majority of whom are independent directors. The independent Director shall chair the Board Risk Oversight Committee. The Chairman of the Board Risk Oversight Committee shall not be the chairman of the Board or of any other committee. Each member shall have an adequate understanding of the assessment and mitigation of risks faced by the Corporation and at least one (1) member must have the relevant thorough knowledge and experience in risk and risk management. It shall have the following duties and responsibilities<sup>11</sup>:

- a) Develop a formal enterprise risk management plan which contains the following information: (1) registry of risks, (2) well-defined risk management goals, objectives and oversight, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measures.
- b) Review the adequacy of the Corporation's risk management framework to ensure that an overall set of risk management policies and procedures exist for the Corporation and oversee its implementation through the Risk Management Division.
- c) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- d) Advise the Board on its risk appetite and risk tolerance limits and review these limits at least annually, based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation;

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<sup>11</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- e) Conduct discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports, review the results of the annual risk assessment done by the Chief Risk Officer (CRO), including the risks identified, their impact or potential impact on the Corporation and its subsidiaries and how they are addressing and managing these risks;
- f) Assess the probability of the occurrence of each identified risk and estimate the possible significant impact to the Corporation and its subsidiaries;
- g) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors. This includes ensuring that the Corporation maintains a framework for fraud prevention and detection (i.e. Whistleblower Program) and plans for business continuity (i.e. Business Continuity Plan);
- h) Meet periodically with Management to discuss the Committee's observations and evaluation on its risk management activities;
- i) Report to the Board, as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

### **3.6 Related Party Transactions Review Committee**

There shall be a Related Party Transactions (RPT) Review Committee consisting of three (3) Directors, all non-executive directors, majority of whom shall be independent directors. It shall have the following duties and responsibilities<sup>12</sup>:

- 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;
- b) Evaluate material agreements of any kind with a related party and determine any potential reputational risk issues that may arise as a result of, or in connection with the transactions;
- c) Assist the Board in determining whether to approve, ratify, disapprove or reject an RPT;
- d) The Committee shall take into account whether the RPT is entered into on terms no less favorable to the Corporation than terms generally available to an unaffiliated third party under the same or similar circumstances and review all information provided by Management, including all relevant facts and circumstances;
- e) For transactions involving sale of Corporation assets, review results of the appraisal, valuation methodology used as well as alternative approaches to valuation;
- f) Endorse material/significant RPTs to the Board for approval;

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<sup>12</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- g) Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs by Management, including periodic review of the Corporation's RPT Policy and procedures;
- h) Annually review the Committee's own performance.

### **3.7 Inspectors of Proxies and Ballots Committee**

The Board of Directors shall appoint three (3) persons (who need not be stockholders) to act as the Inspectors of Proxies and Ballots Committee which shall be empowered to pass on the validity of proxies. The Committee shall be guided by existing laws, and rules and regulations of the SEC regarding proxies. The term of office of the Committee members shall be fixed by the Board of Directors. In the event of vacancy in the Committee membership, the Board of Directors may appoint another member to such vacancy.

The Committee shall have the following particular duties and responsibilities:

- a) At least five (5) working days prior to the date of the stockholders' meeting, the Committee shall perform the validation of the proxies submitted by stockholders. The Committee shall only consider proxies submitted not later than seven (7) working days prior to the date of the stockholders' meeting. The Committee shall prepare a summary of the valid and invalidated proxies to be submitted to the Office of the Secretary, together with the proxies;
- b) Validation, counting and tabulation of votes cast at the Corporation's stockholders' meeting;
- c) Perform such other duties and functions as may be delegated by the Board from time to time.

The Committee shall be guided by applicable laws, the By-laws, and the rules and regulations of the SEC regarding proxies (SEC Rule 20, Section 20 of the Securities Regulation Code).

### **3.8 Sustainability Committee**

The Sustainability Committee shall be composed of at least three (3) members, at least one (1) of whom is an independent director, as determined by the Board. The Board shall designate the Chairman of the Committee. The Committee has to be composed in such a way that it possesses as a group, the necessary knowledge, skills and experience required to properly perform its duties. The Committee shall regularly review its composition, taking into consideration the progressing standard of the Corporation, and best practices in sustainable development. As such, the Committee shall have the following particular duties and responsibilities:

- a) Provide oversight, identify and assess significant social, ethical and environmental interdependencies that might impact on the long-term business objective of the Corporation to be recognized as a responsible and sustainable company in its sector;
- b) Guide policy-making in the Corporation's sustainability program, and ensure full Corporation support and alignment with the Ayala Group of Companies' commitment to sustainable development;

- c) Regularly monitor new and innovative technologies, processes and practices that will permit the Corporation to attain sustainable growth;
- d) Regularly review both current and proposed partnerships and relationships with stakeholders that support the Corporation's sustainable growth;
- e) Regularly evaluate the Corporation's communication and marketing strategies related to sustainable growth;
- f) Review the sustainability-related content of the Corporation's annual report prior to its issuance.

#### **4. Commitment**

To show full commitment to the Corporation, the directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Corporation's business.<sup>13</sup>

#### **5. Independence**

##### **5.1 Independent Directors**

The presence of independent directors in the Board is to ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the corporation.<sup>14</sup>

The Board shall have at least three (3) independent directors or such number as to constitute one-third (1/3) of the members of the Board, whichever is higher.<sup>15</sup>

Independent directors shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management or interfere with the exercise of independent judgment in carrying out the responsibilities of a director. An independent director shall submit to the Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, management or controlling shareholder at the time of his election or appointment and/or re-election as a director.

Independent directors may serve for a cumulative period of not more than nine (9) years. After serving for nine years, he shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as non-independent director or independent director in other companies outside of the business conglomerate, where applicable. Moreover, for purposes of compliance with the legal requirement, an independent director refers to a person who ideally<sup>16</sup>:

- 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) is not, and has not been in the three 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;

<sup>13-16</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- c) 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 election;
- d) is not an owner of more than two percent (2%) of the outstanding shares of the Corporation its subsidiaries, associates, affiliates or related companies;
- e) 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;
- f) is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- g) is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk or the broker or dealer;
- h) is not retained, either in his personal capacity or through a firm, 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 election;
- i) does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- j) is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- k) is not employed as an executive officer of another company where the Corporation's executive officers serve as a director

Related companies refer to (a) the Corporation's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

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.

## **5.2 Lead Director**

The Board shall designate a Lead Director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and President are held by one person.<sup>17</sup>

The functions of the Lead Director include, among others, the following<sup>18</sup>:

- a) Serve as an intermediary between the Chairman and the other directors when necessary;
- b) Convene and chair meetings of the non-executive directors; and
- c) Contribute to the performance evaluation of the Chairman, as required.

## **6. Performance Assessment**

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment shall be supported by an external facilitator. The Board shall 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.<sup>19</sup>

## **7. Business Conduct and Ethics**

The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, Management and employees. It shall also be disclosed and made available to the public through the Corporation's website. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.<sup>20</sup>

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in governance. The Board shall adopt an anti-corruption policy and program which shall be disseminated to its employees. The Board shall also 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 unit created to handle whistleblowing concerns.<sup>21</sup>

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<sup>17-21</sup> SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

## Article IV

### 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 IT 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.<sup>22</sup>

#### **2. Officers of the Corporation**

The Officers of the Corporation are the Chairman of the Board, Vice Chairman of the Board, the President, one or more Vice-Presidents, the Secretary and one or more assistant secretaries, the Treasurer and one or more assistant treasurers, the Chief Operating Officer and the Chief Finance Officer. The Officers shall be elected by the Board of Directors to hold office at the pleasure of the Board. Any person can hold more than one office provided the duties thereof are not inherently incompatible.<sup>23</sup>

To avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making, it is recommended that the positions of Chairman and President be held by different individuals. This type of organizational structure facilitates effective decision making and good governance. In addition, the division of responsibilities and accountabilities between the Chairman and President is clearly defined and delineated and disclosed in the Board Charter.<sup>24</sup>

##### **2.1 Chairman of the Board**

The Chairman of the Board, shall, when present, preside at all meetings of the Board and stockholders and shall render advice and counsel to the President. He shall<sup>25</sup>:

- a) schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;

<sup>22</sup>SEC Memorandum Circular No. 2, series of 2002

<sup>23</sup> ALLHC By Laws, Article IV, Section 1

<sup>24-25</sup> SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- b) prepare the meeting agenda in consultation with the President;
- c) exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- d) assist in ensuring compliance with the Corporation's guidelines on corporate governance;
- e) make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- f) guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- g) facilitate discussion 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 the Management;
- i) assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- j) make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

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

## **2.2 Vice Chairman**

The Vice Chairman shall preside as Chairman at all meetings of the stockholders and of the Board of Directors in the absence or incapacity of the Chairman of the Board, and shall perform such other duties as may be assigned to him by the Board of Directors from time to time.

## **2.3 President**

The President shall be elected by the Board of Directors and shall be the Chief Executive Officer of the Corporation and, as such, shall have general management supervision of the affairs of the Corporation except as otherwise prescribed by the Board. He shall act as presiding officer at stockholders' or board meetings in the absence or incapacity of both the Chairman and the Vice Chairman.

The President shall have the following roles and responsibilities<sup>26</sup>:

- 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;

<sup>26</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- c) oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- d) has good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- e) direct, evaluate and guide the work of the key officers of the Corporation;
- f) manage the Corporation's resources prudently and ensures a proper balance of the same;
- g) provide the Board with timely information and 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 President shall have such other responsibilities as the Board of Directors may impose upon him.

#### **2.4 Secretary**

The Secretary shall be a resident and citizen of the Philippines. 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 must also have some financial and accounting knowledge. He should not be a member of the Board of Directors and should annually attend a training on corporate governance. The Secretary shall have the following functions<sup>27</sup>:

- a) act as adviser to the directors on their responsibilities and obligations and 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;
- b) safely keep and preserve the integrity of the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, all other committees, as well as other official records of the Corporation 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;
- c) keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation; and advises the Board and the Chairman on all relevant issues as they arise;
- d) 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, including shareholders;
- e) advise on the establishment of the board committees and their terms of reference;

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<sup>27</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- f) inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g) attend all Board meetings, except when justifiable cases, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- h) perform required administrative functions, such as but not limited to:
  - i. keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
  - ii. have charge of the stock certificate book and such other books and papers as the Board may direct; and
  - iii. attend to the giving and serving of notices of Board and shareholder meetings
- i) ensure proper onboarding of new directors (i.e. orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
- j) oversee the drafting of the By-laws or amendments thereto and to the Articles of Incorporation of the Corporation and ensure that they conform with regulatory requirements; and
- k) perform such other duties and responsibilities as may be provided by the SEC.

The Secretary shall have such other responsibilities as the Board of Directors may impose upon him. The Board shall have separate and independent access to the Secretary.

## 2.5 Treasurer

The Treasurer shall have custody of all moneys, securities, and values of the Corporation which come into his possession, and shall keep regular books of accounts.

He shall have the following functions:

- a) deposit such moneys, securities and values of the Corporation in such banking institutions in Metro Manila, or elsewhere, as may be designated from time to time by the Board of Directors, subject to the withdrawal therefrom, only upon checks or other written demands of the Corporation which have been signed by such officer or officers, or employee or employees, of the Corporation, or such other persons, as may be authorized from time to time, so to do, by resolution of the Board of Directors;
- b) furnish bond conditioned upon the faithful performance of his duties, if and as required so to do by the Board of Directors, the amount of said bond to be determined and fixed by the said Board in such requirement;
- c) regularly and at least every semester render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- d) ensure funds availability on a timely basis and at the most economical means;

- e) optimize yields in temporary excess funds;
- f) provide relevant and timely capital market information; and
- g) 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.

## **2.6 Chief Operating Officer**

The Chief Operating Officer shall have the following powers and duties<sup>28</sup>:

- i. direct, administer, and coordinate the internal operational activity of the Corporation in accordance with the policies, goals and objectives developed and established by the President;
- ii. direct the development and installation of procedures and controls and to promote communication and adequate information flow;
- iii. develop and establish operating and personnel policies consistent with the President's broad policies and objectives and to ensure their adequate execution; and
- iv. Participate in the development and preparation of short-term and long-term plans and budgets.

## **2.7 Chief Finance Officer**

The Chief Finance Officer shall have the following powers and duties<sup>29</sup>

- i. Have custody of all of the Corporation's books of account, including oversight in the maintenance of these books of account and records of all assets, liabilities and transactions of the Corporation to ascertain accuracy and completeness;
- ii. Render an annual statement showing the financial condition of the Corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;
- iii. Prepare financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies; and
- iv. Exercise such powers and duties as may from time to time be assigned to him by the Board of Directors or by the President.

<sup>28</sup> ALLHC By Laws, Article IV, Section 6

<sup>29</sup> ALLHC By Laws, Article IV, Section 11

## Article V

### Audit, Risk Oversight and Compliance

#### **1. Internal Control System and Enterprise Risk Management Framework**

The Corporation shall have an adequate and effective internal control system and enterprise risk management framework to ensure the integrity, transparency and proper governance in the conduct of its affairs.<sup>30</sup>

An effective internal control system embodies management oversight and control culture; risk recognition and assessment; control activities; information and communication; monitoring activities and correcting deficiencies. Moreover, an effective enterprise risk management framework includes such activities as the identification, sourcing, measurement, evaluation, mitigation and monitoring of risks.<sup>31</sup>

#### **2. Internal Audit**

The Corporation shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Corporation's objectives.<sup>32</sup>

The following are the functions of the internal audit functions, among others<sup>33</sup>:

- a) 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 Corporation, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, External and Internal Auditors, and Management;
- b) perform regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- c) perform consulting and advisory services related to governance and control as appropriate for the Corporation;
- d) perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Corporation;
- e) review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- f) evaluate operations or programs to ascertain whether the results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g) evaluate specific operations at the request of the Board or Management, as appropriate;
- h) monitor and evaluate governance process;
- i) adhere to the standards of leading professional practices, core principles for the professional practice of internal auditing, and codes of ethics, such as those published by the Institute of Internal Auditors (IIA), the Philippine Institute of Certified Public

<sup>30-33</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

Accountants (PICPA), the Information Systems Audit and Control Association (ISACA), and the relevant reports and recommendations of the various governing agencies such as the Securities and Exchange Commission;<sup>34</sup>

- j) remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude;<sup>35</sup>
- k) exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments;<sup>36</sup>

The Internal Audit Group shall have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the Corporation, including that portion that is outsourced to a third party service provider. The CAE shall directly report functionally to the Audit Committee and administratively to the President.<sup>37</sup>

The following are the responsibilities of the CAE, among others<sup>38</sup>:

- a) periodically review the Internal Audit Charter and present it to Management, Audit Committee and the Board for approval;
- b) establish risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the Corporation's goals;
- c) communicate the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to Management, Audit Committee for review and approval;
- d) spearhead the performance of the internal audit activity to ensure it adds value to the Corporation;
- e) report periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f) present findings and recommendations to the Audit Committee and gives advice to Management and the Board on how to improve internal processes.

### **3. External Audit**

The Corporation shall establish standards for the appropriate selection of an External Auditor, and exercise effective oversight of the same to strengthen the External Auditor's independence and enhance quality of audit.

#### **3.1 Appointment, Reappointment and Dismissal**

The Audit Committee shall be in charge for approving and recommending the appointment, reappointment, removal, and fees of the External Auditor, subject to Board approval and ratification by the shareholders.<sup>39</sup>

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. The said report shall include a discussion of any disagreement with

<sup>34-36</sup>ALLHC Internal Audit Charter

<sup>37-39</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

said former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

### **3.2 Roles and Responsibilities**

- i. 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;
- ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
- iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
- iv. 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.

### **3.3 Non-audit Services**

The Corporation shall disclose the nature of non-audit services performed by its External Auditor to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the External Auditor's objectivity.<sup>40</sup>

### **3.4 Rotation**

The Corporation's External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.

### **3.5 Incorrect or Incomplete Corporate Reports**

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, the External Auditor shall present his views in the said report.

## **4. Risk Oversight**

In managing the Corporation's risk management system, the Corporation shall have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfil his responsibilities, subject to the Corporation's size, risk profile and complexity of operations.<sup>41</sup>

The CRO has the following functions, among others<sup>42</sup>:

- a) supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM process and documentation;

<sup>40-42</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- b) communicate the top risks and the status of implementation of risk management strategies and actions plans to the Board Risk Oversight Committee;
- c) collaborate with the President in updating and making recommendations to the Board Risk Oversight Committee;
- d) suggest ERM policies and related guidance, as may be needed; and
- e) provide 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 a clear communication between the Board Risk Oversight Committee and the CRO. Until otherwise mandated, the CAE shall be designated as the CRO on a concurrent basis.

## 5. Compliance System

To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of a Vice President or its equivalent position with adequate stature and authority in the Corporation. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend training on corporate governance.

The Compliance Officer shall perform the following duties<sup>43</sup>:

- a) monitor, review, evaluate and ensure compliance by the Corporation, its officers and directors with the relevant laws, the Code, rules and regulations and all governance issuances of regulatory agencies;
- b) disseminate the Manual to the directors, management and employees;
- c) report matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d) ensure the integrity and accuracy of all documentary submissions to regulators;
- e) appear before the SEC when summoned in relation to compliance with the Code;
- f) collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- g) identify possible areas of compliance issues and works towards the resolution of the same;
- h) ensure the attendance of board members and key officers to relevant trainings; and
- i) perform such other duties and responsibilities as may be provided by the SEC.

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

<sup>43</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

## Article VI

### Disclosure and Transparency

#### **1. Disclosure Policy and Material Information**

##### **1.1 Disclosure Policies and Procedures**

The Board shall establish corporate disclosure policies and procedures that comply with the disclosure requirement as provided in Rule 68 of the Securities Regulation Code (SRC), Philippine Stock Exchange Listing and Disclosure Rules, and other regulations such as those required by the BSP, the SEC, and the Bureau of Internal Revenue, to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a complete picture of a Corporation's financial condition, results and business operations.<sup>44</sup>

##### **1.2 Material Information**

The Board shall also fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualification, and assess any potential conflicts of interest that might affect their judgment.<sup>45</sup>

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

All material information, i.e., anything that could potentially adversely affect the viability of the Corporation or interests of the stockholders and other stakeholders shall be publicly and timely disclosed. Such information, shall include among others earnings results, acquisition or disposal of assets, board changes, off balance sheet transactions, related party transactions, shareholdings of directors and changes in ownership, and direct and indirect remuneration of members of the Board and Management.

##### **1.3 Non-financial and Sustainability Reporting**

The Board shall have a clear and focused policy on the disclosure of non-financial information with emphasis on the management of economic environmental, social and governance issues of its business, which underpin sustainability.<sup>46</sup>

#### **2. Related Party Transactions**

The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing Related Party Transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.<sup>47</sup>

The Related Party Transactions Policy shall define related party relationships and transactions and set out the guidelines, categories and thresholds that will govern the review, approval and ratification of these transactions by the Board or Shareholders to ensure that related party relationships have been accounted for and disclosed in accordance with International Accounting Standard 24 on Related Party Disclosures in the Corporation's relevant financial reports and in its Annual Corporate Governance Report.

<sup>43-47</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

### **3. Governance Policy on Conflict of Interest**

The Board shall also 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 or any transaction that may potentially cause conflict of interest.<sup>48</sup>

- a) A conflict of interest exists when a director or an officer of the Corporation:
  - i. Supplies or is attempting or applying to supply goods or services to the Corporation;
  - ii. Supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
  - iii. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
  - iv. Is offered or receives consideration for delivering the Corporation's business to a third party;
  - v. 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 is voidable, at the option of the Corporation, unless all the following conditions are present:
  - i. 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;
  - ii. The vote of such director was not necessary for the approval of the contract;
  - iii. The contract is fair and reasonable under the circumstances; and
  - iv. 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.

<sup>48</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

- e) The foregoing is without prejudice to the Corporation's existing Code of Business Conduct and Ethics for its officers, employees and staff.

#### **4. Communication and Information**

##### **4.1 Management Responsibility for Information**

- a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:
- i. 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;
  - ii. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
  - iii. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
  - iv. Maintain a sound system of internal control to safeguard stockholders' investment and the Corporation's assets;
  - v. 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;
  - vi. Require the CAE to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.
- b) Management shall be primarily responsible for the adequate 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.
- c) Management, through the Investor Relations function, shall be responsible for publicly and timely disclosure of all material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders.

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 SEC for the interest of its stockholders and other stakeholders.

#### **4.2 Investor Relations Function**

There shall be an Investor Relations Group within the Corporation, which shall be tasked with:

- a) Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;
- b) Formulation of a clear policy on communicating or relating relevant information to Corporation's stockholders and to the broader investor community accurately, effectively and sufficiently;
- c) Preparation of certain disclosure documents to the SEC and the Exchange; and
- d) Assist in the dissemination of the Manual to the directors, management and employees.

The Board shall designate the Investor Relations Officer who shall report to the Chief Finance Officer. The IRO shall be present at every stockholders' meeting.

#### **4.3 Communication of the Manual**

This Manual shall be submitted to and made available at the SEC. It shall also be available for inspection by any stockholder of the Corporation at its principal office during reasonable hours on a business day.

The Manual shall be posted in the website of the Corporation to facilitate access for shareholders and stakeholders of the Corporation.

#### **4.4 Channels of Communication**

The Corporation shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.<sup>49</sup>

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<sup>49</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

## Article VII

### Shareholders' Rights and Protection of Minority Shareholder

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

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

##### **1.1 Voting Right**

All shareholders, including minority shareholders, have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Each common share is entitled to one vote. Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

The procedure for nomination shall be clearly explained to the stockholders. The information on the background and experience of candidates shall be provided to enable the stockholders to study a candidates' qualifications and credibility.

Shareholders also have the individual right to participate in corporate decisions such as but not limited to:

- a) Amendments to the Corporation's constitution;
- b) Authorization of additional shares;
- c) Transfer of all or substantially all assets, which in effect results in the sale of the Corporation; and
- d) Approval of remuneration matters.

##### **1.2 Pre-emptive Right**

All shareholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. 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.

##### **1.3 Right of Inspection**

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meeting and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

##### **1.4 Right to Information**

The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the 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 SEC.

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 and relate directly to the business of the Corporation.

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.

#### **1.5 Right to Dividends**

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

#### **1.6 Appraisal Right**

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

- i. 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;
- ii. 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
- iii. 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 shareholders' rights and recognize lawful mechanisms to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall provide clear explanation of the voting procedure and be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Although all shareholders should be treated equally or without discrimination, the Board should, as far as practicable, give minority shareholders the right to nominate candidates for the Board of Directors and propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation. The Board shall determine which matters are proper for inclusion in the agenda for shareholder's meeting.

The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-eight (28) days before the meeting and by making the results of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the minutes of Annual and Special Shareholders' Meeting should be available on the Corporation's website within five (5) business days from the end of the meeting.

The Board shall, if a stockholder shall so opt, make available established Alternative Dispute Resolution procedures under Republic Act No. 9285 to resolve intra-corporate disputes in an amicable and effective manner.<sup>50</sup>

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<sup>50</sup>SEC Memorandum Circular No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies

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## **Article VIII**

### **Stakeholders' Interest**

The Corporation adheres to a high level of moral standards and unquestionable dealing with all its suppliers, customers, employees, shareholders and other business partners to lay down the foundation for long-term beneficial relationships which allows the Corporation to grow its business while contributing to the advancement of the community and the society in which it operates. The Corporation, through the Board, shall establish policies and procedures to promote fair treatment and protection of the stakeholders and allow stakeholders to communicate with the Corporation and to obtain redress for violation of their rights.

The Corporation commits to bring the best service to its customers, to provide opportunity for professional growth to its employees and recognizes its responsibilities in the community and environment.

## **Article IX**

### **Penalties for Non-compliance with the 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, staff, in case of violation of any of the provisions of this Manual:

1. In case of first violation, the subject person shall be reprimanded;
2. In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
3. For third violation, removal from office. The commission of a third violation of this Manual by any member of the Board shall be a sufficient cause for removal from directorship. The third violation by an officer or employee of the Corporation shall be a ground for termination of employment.

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, subject to further review and approval of the Board.

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## **Article X**

### **Review and Amendment of the Manual**

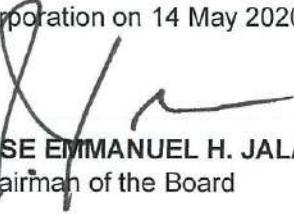
1. The provisions of this Manual and the enforcement thereof shall be subject to annual review unless otherwise stated by the Board.
2. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.
3. 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.
4. Subject to Article XI, the amendment of this Manual or part thereof shall be effective upon approval by at least majority of the Board of Directors.

## Article XI

### Adoption and Effectivity of the Manual

This Manual was adopted by the Board of Directors of the Corporation on 29 May 2017. It shall be effective on 01 June 2017. Amendments to comply with regulatory issuances of the SEC shall be deemed adopted and effective upon effectivity of the relevant regulatory issuance.

This Manual (as revised) was approved by at least a majority of the Board of Directors of the Corporation on 14 May 2020.



JOSE EMMANUEL H. JALANDONI  
Chairman of the Board



FRANCIS M. MONTOJO  
Compliance Officer



## LOGISTICS HOLDINGS CORP.

### CERTIFICATION

I, FRANCIS M. MONTOJO, Compliance Officer of AyalaLand Logistics Holdings Corp., with SEC Registration No. 163671, with principal office at 3<sup>rd</sup> Floor Glorietta 5, Ayala Center, Makati City, on oath state:

- 1) That on behalf of AyalaLand Logistics Holdings Corp., I have caused this revised Manual on Corporate Governance to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, AyalaLand Logistics Holdings Corp., will comply with the requirements set forth in the SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which require pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this JUL 20 2020 day of July 2020.

FRANCIS M. MONTOJO  
Affiant

JUL 20 2020

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at Makati City, affiant exhibited as competent evidence of her identity Passport No.P3957008A issued on 8-8-2017 at DFA Iloilo.

Doc. No. 125;  
Page No. 26;  
Book No. X911;  
Series of 2020.

Notarial DST pursuant to  
Sec.188 of the Tax Code  
affixed on Notary Public's copy



ROBERTO T. ONGSIAKO  
Notary Public - Makati City  
Appt. No. M-155 until December 31, 2020  
Roll of Attorneys No. 37041  
Lifetime IBP No. 02163 - RSM Chapter  
PTR No. 8116886MG - 01/02/2020 - Makati City  
MCLE Compliance No. VI-0005160 - 12/08/2017  
3<sup>rd</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines