

May 30, 2017

**SECURITIES AND EXCHANGE COMMISSION**  
Corporate Governance and Finance Department  
Ground Floor, Secretariat Building, PICC  
Pasay City

Attention: **Director Justina F. Callangan**  
Corporate Governance and Finance Department

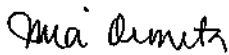
Re: **Steniel Manufacturing Corporation**  
*Revised Manual on Corporate Governance*  
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Dear Director Callangan,

In compliance with the Code of Corporate Governance for Publicly Listed Companies of the Securities and Exchange Commission, we respectfully submit herewith the Revised Manual on Corporate Governance (the "Manual") of Steniel Manufacturing Corporation (the "Corporation"). The revisions in the Manual have been approved by the Board of Directors of the Corporation in their meeting held on May 29, 2017.

We hope you will find the foregoing in order.

Very truly yours,

  
Mia M. Ormita  
Corporate Secretary

# COVER SHEET

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S T E N I E L M A N U F A C T U R I N G  
C O R P O R A T I O N

(Company's Full Name)

G A T E W A Y B U S I N E S S P A R K  
B R G Y . J A V A L E R A G E N .  
T R I A S C A V I T E

(Business Address : No. Street/City/Province)

MIA M. ORMITA  
Contact Person

687 1195  
Company Telephone Number

1 2 3 1  
Month Day  
Fiscal Year

REVISED  
Manual on Corporate  
Governance  
FORM TYPE

Last Tuesday of  
April  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles  
Number/Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

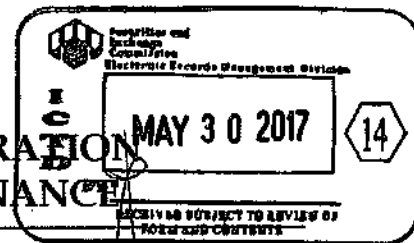
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# STENIEL MANUFACTURING CORPORATION MANUAL ON CORPORATE GOVERNANCE



The Board of Directors and Management of **STENIEL MANUFACTURING CORPORATION** (the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of the Corporation's goals.

## 1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders of the Corporation believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

## 2. DEFINITION OF TERMS

**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.

**Board of Directors or Board** : the Board of Directors of the Corporation.

**Management** : The Corporation's executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation.

**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.
- Executive director** : a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- Non-executive director** : a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- Internal control** : a process effected by the Board, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the Corporation, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of corporate objectives.
- Enterprise Risk Management** : a process, effected by the Board, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the Corporation, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of corporate objectives.
- 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 over the Corporation; the Corporation's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Corporation.
- Related Party Transactions** : a transfer of resources, services or obligations between the Corporation and a related party, regardless of whether a price is charged, interpreted 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.

**Stakeholders** : any individual, organization or the 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 and community in which the Corporation operates.

### **3. COMPLIANCE SYSTEM**

#### **3.1 Compliance Officer**

**3.1.1** To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who has the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer shall not a member of the Board of Directors. He/she shall have direct reporting responsibilities to the Chairman of the Board.

**3.1.2** The Compliance Officer shall perform the following duties:

- (a) Monitor compliance with the provisions and requirements of this Manual;
- (b) Appear before the Securities and Exchange Commission ("SEC" or the "Commission") upon summons on similar matters that need to be clarified by the Corporation;
- (c) Determine violation/s of the Manual and recommend penalty for violations thereof for further review and approval of the Board of Directors;
- (d) Issue the Annual Corporate Governance Report, and updates thereon from time to time;
- (e) Identify, monitor and control compliance risks;
- (f) Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);

- (g) Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, rules and regulations and all governance issuances of regulatory agencies;
  - (h) Ensure the integrity and accuracy of all documentary submissions to regulators;
  - (i) Collaborate with other units/departments to properly address compliance issues, which may be subject to investigation;
  - (j) Identify possible areas of compliance issues and works towards the resolution of the same;
  - (k) Attend the annual training on Corporate Governance;
  - (l) Ensure the attendance of board members and key officers to relevant trainings; and
  - (m) Perform such other duties and responsibilities as may be provided by the Commission or by the Board.
- 3.1.3 The appointment of the Compliance Officer shall be immediately disclosed to the Commission. All correspondences relative to his functions as such shall be addressed to the Compliance Officer.

## **3.2 The Board of Directors**

- 3.2.1 The Board of Directors shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry/sector. The Board of Directors shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best 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.

- 3.2.2 The Corporation shall have at least three (3) independent directors or such number of independent directors as will constitute at least one-third (1/3) of the members of the Board, whichever is higher. The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

- 3.2.3 The Board of Directors shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

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

3.2.4 General Responsibilities of the Board of Directors

- (a) A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.
- (b) The directors should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all shareholders.
- (c) The Board should oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long-term viability and strength.

3.2.5 Specific Duties and Functions of the Board of Directors

To ensure a high standard of best practice for the Corporation and its stakeholders, the Board of Directors shall:

- (a) Establish a process of selection to ensure a mix of competent directors and officers;
- (b) Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives;
- (c) Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- (d) Identify the Corporation's various stakeholders and formulate a clear policy on communicating or relating with them, promoting cooperation between them and the Corporation in creating wealth, growth and sustainability, through an effective investor relations program;
- (e) Adopt a system of internal checks and balances, and keep Board authority within the powers of the institution as prescribed in the

Corporation's Articles of Incorporation, By-Laws and in existing laws, rules and regulations;

- (f) Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- (g) Properly discharge Board functions by meeting regularly; independent views during Board meetings shall be duly recorded and minuted;
- (h) Ensure and adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value, which shall include adoption of a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation;
- (i) Align the remuneration of key officers and board members with the long-term interests of the Corporation by formulating and adopting a policy specifying the relationship between remuneration and performance; provided, that no director shall participate in discussions or deliberations involving his own remuneration;
- (j) Be primarily responsible for approving the selection and assessing the performance of the Management led by the President or Chief Executive Officer, and control functions led by their respective heads, i.e., Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive;
- (k) Establish an effective performance management framework that will ensure that the Management, including the President or Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management;
- (l) Oversee the internal control system of the Corporation, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders;
- (m) Approve the Internal Audit Charter;
- (n) Oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks, which framework shall guide the Board of Directors in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies;
- (o) Adopt and approve a Board Charter, which shall be publicly available on the Corporation's website, that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties,



and shall guide the Board of Directors in the performance of their functions;

- (p) Conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees, and every three years, the assessment should be supported by an external facilitator;
- (q) Adopt 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;
- (r) 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, which Code shall be properly disseminated to the Board, senior management and employees, and disclosed and made available to the public through the company website;
- (s) Ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics upon its adoption by the Board of Directors and internal policies;
- (t) Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Corporation's financial condition, results and business operations;
- (u) Fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment;
- (v) Adopt a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability;
- (w) Appoint a Chief Audit Executive should they deem it fit and necessary;
- (x) Adopt a policy informing the shareholders of all their rights and ensure that basic shareholder rights are disclosed in this Manual and on the Corporation's website; and establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders;

- (y) Adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights;
- (z) Encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information as far as practicable at least 28 days before the meeting, but in no case later than the period prescribed under existing laws, rules and regulations;
- (aa) Encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available as far as practicable the next working day; and in addition, the Minutes of the Annual and Special Shareholders' Meeting shall be made available on the Corporation's website, as far as practicable, within five business days from the end of the meeting;
- (bb) Make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner;
- (cc) Establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall have a designated Investor Relations Officer, responsible for receiving feedback, complaints and queries from shareholders to assure their active participation with regard to activities and policies of the Corporation, and create an Investor Relations Program to ensure that all information regarding the Corporation's activities are properly and timely communicated to shareholders;
- (dd) Establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders;
- (ee) Adopt a transparent framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights;
- (ff) Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance;
- (gg) Adopt an anti-corruption policy and program in its Code of Conduct and disseminate the policy and program to employees across the organization through trainings;
- (hh) Adopt a policy on diversity of its members, including diversity in gender, age, ethnicity, culture, skills, competence, and knowledge;

- (ii) Adopt a policy on the training of directors, including an orientation program for first-time directors and annual continuing relevant training for all directors. The orientation program for first-time directors shall be at least eight (8) hours and shall include mandated topics of the Commission on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Conduct. The annual continuing training program shall be at least four (4) hours and shall include courses on relevant corporate governance matters such as audit, internal controls, risk management, sustainability and strategy;
- (jj) Develop and adopt a formal and transparent board nomination and election policy which shall include the following: (i) process of accepting nominations from minority shareholders, (ii) review and evaluation of the qualifications of nominated candidates, (iii) monitoring of the qualifications of the directors, and (iv) assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director;
- (kk) Have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality, which policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions, encompassing all entities within the group, taking into account size, structure, risk profile and complexity of operations;
- (ll) The non-executive directors shall, to the extent practicable, have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Corporation, and such meetings shall be chaired by the Lead Independent Director;
- (mm) Establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns; and
- (nn) Perform such other duties and responsibilities as may be provided by the Commission.

### 3.2.6 Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- (a) Ensure that personal interest does not prejudice, affect and be in conflict with Board decisions;
- (b) Devote time and attention necessary to properly discharge his duties and responsibilities;
- (c) Act judiciously, observe confidentiality and exercise independent judgment;
- (d) Possess a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
- (e) Possess a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
- (f) Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment;
- (g) Attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through teleconferencing or videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so; and in Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations;
- (h) Notify the Board where he/she is an incumbent director before accepting a directorship in another company; and
- (i) Perform such other duties and responsibilities as may be provided by the Commission.

### 3.2.7 The Chairman, Chief Executive Officer and Lead Independent Director

3.2.7.1 The positions of the Chairman and the Chief Executive Officer ("CEO") shall be held by different individuals to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and the CEO upon their election.

If the positions of Chairman and CEO are unified, or if the Chairman is not independent, the Board shall appoint a Lead Independent Director among the independent directors, as well as promulgate other proper checks and balances to ensure that the Board gets the benefit of independent views and perspectives. The Lead Independent Director shall perform the following functions:

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

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

- (a) Ensure that the meetings of the Board are held in accordance with the By-laws or as the Chairman may deem necessary;
- (b) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors, and 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;
- (c) Maintain qualitative and timely lines of communication and information between the Board and Management;
- (d) 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;
- (e) Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- (f) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

- (g) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- (h) Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- (i) Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

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

- (a) Determine the Corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- (b) Communicate and implement the Corporation's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- (c) Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- (d) Has a good working knowledge of the Corporation's industry and market and 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 ensure a proper balance of the same;
- (g) Provide the Board with timely information and interfaces between the Board and the employees;
- (h) Build the corporate culture and motivates the employees of the Corporation; and
- (i) Serve as the link between internal operations and external stakeholders.

**3.3 The Board Committees**

To aid in complying with the principles of good corporate governance, the Board of Directors shall establish and constitute Board Committees.

### 3.3.1 Corporate Governance Committee

- 3.3.1.1 The Board shall create a Corporate Governance Committee which shall (i) also act as the Nomination Committee and Compensation and Remuneration Committee, (ii) have at least three (3) voting members who are all independent directors, including the Chairman of the Committee.

It shall ensure compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- (a) Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- (b) Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- (c) Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- (d) Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- (e) Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- (f) Propose and plan relevant trainings for the members of the Board;
- (g) Determine the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- (h) Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates; and

- (i) Perform such other duties and responsibilities as may be provided by the Commission.

3.3.1.2 In discharging the functions of the Nomination Committee, it shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

A. Grounds for Disqualification. The following shall be grounds for disqualification:

- (a) Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month during said incumbency. This disqualification applies for purposes of the eligibility of the director for subsequent election;
- (b) Dismissal or termination from directorship in another listed corporation for a cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- (c) Being under preventive suspension by the Corporation;
- (d) The Board's independent directors should serve for a maximum cumulative term of nine years, after which, the independent director shall be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director; in the instance that the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting;
- (e) If the independent director becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director;
- (f) 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;
- (g) Conviction that has not yet become final as referred to in the grounds for disqualification of directors;



- (h) Conviction by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (i) Permanently enjoined by reason of misconduct, after hearing, by a final judgment or order of the Commission, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;
- (j) Conviction by final judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (k) Has been adjudged by final judgment or order of the Commission, 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 Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the Commission or BSP;
- (l) Has been judicially declared as insolvent;
- (m) Found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;
- (n) Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and

- (o) Other grounds as the Commission may provide.
- B. Defining the CEO Role. In consultation with the executive and management committee/s, re-define the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the real of good corporate governance at all times.
- C. Guidelines on Number of Directorships. The Nomination Committee shall consider the following guidelines in the determination of the number of directorship for the Board, where the optimum number shall be related to the capacity of a director perform his duties diligently in general:
- (a) The nature of the business of the corporations which he is a director;
  - (b) Age of the director;
  - (c) Number of the directorships or active memberships and officerships in other corporations or organizations; and
  - (d) Possible conflict of interest.
- D. Non-Competition. No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in a business which competes or is antagonistic to that of the Corporation or any of its subsidiaries or affiliates. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
- (a) If he is an officer, manager or controlling person of, or the owner (either on record or beneficial) of twenty percent (20%) or more of any outstanding class of shares of any corporation (other than the one in which this Corporation owns at least thirty percent (30%) of the capital stock engaged which the Board by at least two-thirds (2/3) vote, determines to be competitive or antagonistic to that of the Corporation or any of its subsidiaries or affiliates;
  - (b) If he is an officer, manager or controlling person of, or the owner (either on record or beneficial) of twenty percent (20%) or more of any outstanding shares of any corporation or entity engaged in any line of business of the Corporation or any of its subsidiaries or affiliates, when in the judgment of the Board, by at least two-thirds (2/3) vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; and

- (c) If the Board in the exercise of its judgment in good faith, determines by at least two-thirds (2/3) vote that he is the nominee of any person set forth above.

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 relationships.

- E. Nominations of Directors. For proper implementation of the foregoing provisions, all nominations for election of Directors shall be submitted in writing to the Board of Directors and be received at the Corporation's principal place of business at least thirty (30) days before the date of the regular or special meeting of the stockholders for purposes of electing directors.

3.3.1.2 In discharging the functions of the Compensation and Remuneration Committee, it shall have the following duties and responsibilities:

- (a) Establish a formal and transparent procedure for developing a policy on executive remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;
- (b) Designate 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) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration package of individual directors, if any, and officers;
- (d) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- (e) Disallow any director to decide his or her own remuneration;
- (f) 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;

- (g) Review (if any) of 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;
- (h) Provide for a clear disclosure of the Corporation's policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report, and to the extent practicable, a disclosure of the remuneration on an individual basis, including termination and retirement provisions;
- (i) Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

### 3.3.2 Audit Committee

3.3.2.1 There shall be Board Audit Committee which shall (i) also act as the Board Risk Oversight Committee and Related Party Transactions Committee, (ii) be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees. Each member shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment. The duties and responsibilities of the Audit Committee are as follows:

- (a) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- (b) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- (c) Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;

- (d) Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit;
- (e) Perform direct interface functions with the internal and external auditors;
- (f) Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - (1) A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant;
  - (2) An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task;
- (g) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through step-by-step procedures and policies handbook that will be used by the entire organization;
- (h) Oversee the senior management in establishing and maintaining an adequate, effective and efficient internal control framework;
- (i) Recommend the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- (j) Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- (k) Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE).

- (l) Approve the terms and conditions for outsourcing internal audit services;
- (m) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- (n) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- (o) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (p) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses;
- (q) Disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- (r) Disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- (s) Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices;
  - Areas where a significant amount of judgment has been exercised;
  - Significant adjustments resulting from the audit;
  - Going concern assumptions;
  - Compliance with accounting standards;
  - Compliance with tax, legal and regulatory requirements
- (t) Review the disposition of the recommendations in the External Auditor's management letter;

- (u) Perform oversight functions over the corporation's Internal and External Auditors;
- (v) Ensure both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (w) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (x) Recommend to the Board, and further, to the Shareholders for ratification, the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; provided, that removal of the External Auditor, and the reasons for removal or change should be disclosed to the regulators and the public through the Corporation's website and required disclosures;
- (y) Assess the integrity and independence of the External Auditor, and exercise effective oversight to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements;
- (z) Meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meet with the head of the internal audit; and
- (aa) Perform such other duties and responsibilities as may be provided by the Commission.

3.3.2.2 In discharging the functions of the Board Risk Oversight Committee, it shall have the following duties and responsibilities:

- (a) Assist the Board in ensuring that there is an effective and integrated risk management process in place;
- (b) Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and

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

- (c) Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee;
- (d) Conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- (e) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness;
- (f) Revisit defined risk management strategies, looks for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- (g) Advise the Board on its risk appetite levels and risk tolerance limits;
- (h) Review at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- (i) Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- (j) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management;
- (k) Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary; and
- (l) Perform such other duties and responsibilities as may be provided by the Commission.



3.3.2.3 In discharging the functions of the Related Party Transaction (RPT) Committee, it shall have the following duties and responsibilities:

- (a) Review all material related party transactions of the Corporation;
- (b) Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisor;
- (c) Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
  - (1) The related party's relationship to the Corporation and interest in the transaction;
  - (2) The material facts of the propose RPT, including the proposed aggregate value of such transaction;
  - (3) The benefits to the Corporation of the proposed RPT;
  - (4) The availability of other sources of comparable products or services; and
  - (5) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- (d) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of

interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties;

- (e) Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- (f) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- (g) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and
- (h) Perform such other duties and responsibilities as may be provided by the Commission.

### **3.3 The Corporate Secretary**

3.3.1 The Corporate Secretary is an officer of the Corporation. His loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

3.3.2 The Corporate Secretary shall be a Filipino citizen, shall not be a member of the Board of Directors and shall annually attend a training on corporate governance. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

#### **3.3.3 Duties and Responsibilities:**

- (a) Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- (b) As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
- (c) Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- (d) Attend all Board meetings and maintain record of the same;

- (e) Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings;
- (f) Safe keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- (g) Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advise the Board and the Chairman on all relevant issues as they arise;
- (h) Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- (i) Advise on the establishment of board committees and their terms of reference;
- (j) Perform required administrative functions;
- (k) Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- (l) Perform such other duties and responsibilities as may be provided by the Commission.

### **3.4 The External Auditor**

- 3.4.1 An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The External Auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- 3.4.2 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an External Auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- 3.4.3 The external auditor of the Corporation shall not at the time same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 3.4.4 The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) or earlier.

- 3.4.5 If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present this views in the said reports.
- 3.4.6 The external auditor shall adhere to the highest standard of professional conduct and shall carry out their services in accordance with relevant ethical and technical standards of the accounting profession.
- 3.4.6 The external auditor shall keep all audit or review working papers for at least 5 years in sufficient detail to support the conclusions in the audit report;
- 3.4.6 The accountability of an external auditor is based on matters within the normal coverage of an audit conducted in accordance with generally accepted auditing standards.

### **3.5 The Chief Audit Executive**

- 3.5.1 Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of risk management, internal control, and governance processes of an organization. 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 operations.
- 3.5.2 The Board may, taking into account, the Corporation's size, risk profile and complexity of operations, appoint a qualified Chief Audit Executive ("CAE"). The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

The CAE is the highest position in the Corporation responsible for internal audit activities while the Internal Audit Division is the unit of the Corporation that provides independent and objective assurance services in order to add value to and improve the Corporation's operations.

The Chief Audit Executive shall conform with the Code of Professional Ethics for Certified Public Accountants and ensure compliance with sound internal auditing standards, such as the Institute of Internal Auditors' Internal Standards for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/government agencies. The Standards address independence and objectivity, professional proficiency, scope of work, performance of audit work, management of internal audit, quality assurance reviews, communication and monitoring results.

The CAE shall have such powers and duties as are incident to his office and as the Board of Directors may prescribe. He shall report and be accountable directly to the Board of Directors.

### **3.5.3 Duties and Responsibilities**

- (a) Periodically review the internal audit charter and present it to senior management and the Board Audit Committee for approval;
- (b) Establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organizational goals;
- (c) Communicate the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- (d) Spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- (e) Report periodically to the Audit Committee on the internal audit activity's performance relative to its plan;
- (f) Present findings and recommendations to the Audit Committee and give advice to senior management and the Board on how to improve internal processes; and
- (g) Perform such other duties and responsibilities as may be provided by the Commission

## **3.6 The Chief Risk Officer**

- 3.6.1 The Board may, taking into account, the Corporation's size, risk profile and complexity of operations, establish a separate risk management function to identify, assess and monitor key risk exposures. In managing the Corporation's Risk Management System, the Board may appoint a Chief Risk Officer, who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

### **3.6.2 Duties and Responsibilities**

- (a) Supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- (b) Communicate the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- (c) Collaborate with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- (d) Suggest ERM policies and related guidance, as may be needed;
- (e) Provide insights on the following:
  - Risk management processes are performing as intended;
  - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - Established risk policies and procedures are being complied with;
- (f) Perform such other duties and responsibilities as may be provided by the Commission.

## **4. COMMUNICATION PROCESS**

- 4.1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 4.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 4.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Human Resources Department, with a minimum of at least one (1) hard copy of the Manual per department.

## **5. TRAINING PROCESS**

- 5.1. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

- 5.2. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

**6. REPORTORIAL OR DISCLOSURE SYSTEM OF THE CORPORATION'S CORPORATE GOVERNANCE POLICIES**

- 6.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;
- 6.2 All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
- 6.3 The Corporation should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board shall appoint an independent party to evaluate the fairness of the transaction price on the material acquisition or disposal of assets.
- 6.4 Directors and Officers of the Corporation shall disclose/report to the Corporation any dealings in the Corporation's shares within three business days.

Directors and officers shall comply with the Commission's rules on reporting of beneficial ownership of securities of the Corporation. A director shall within ten (10) calendar days from his election, file a statement on SEC Form 23-A with the Commission and the Philippine Stock Exchange (PSE) on the securities of the Corporation of which he is a beneficial owner.

Within ten (10) calendar days after the close of the calendar month thereafter, if there has been a change in such ownership during the month, file a statement on SEC Form 23-B with the Commission and PSE indicating his ownership at the close of the calendar month, and such changes in his ownership as have occurred during such calendar month.

A reporting director or officer shall timely deliver the statements on beneficial ownership to the Corporate Secretary for prompt uploading to the PSE EDGE system

- 6.5 Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.

- 6.6 All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- 6.7 The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. To the extent practicable, 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. Material and significant RPTs reviewed and approved during the year shall be disclosed in the Annual Corporate Governance Report.

## **7. SHAREHOLDERS' AND STAKEHOLDERS' BENEFIT**

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its investors:

### **7.1 Investor's Rights and Protection**

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities 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 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. The Board shall be committed to respect the following rights of stockholders:

#### **7.1.1 Voting Right**

- (a) Shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- (b) Cumulative voting shall be used in the election of directors.
- (c) A director shall not be removed without cause it will deny minority shareholders representation in the Board



#### 7.1.2 Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied 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 shall lay down the specific rights and power of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

#### 7.1.3 Power of Inspection

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

#### 7.1.4 Right to Information

- (a) 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.
- (b) The minority shareholders shall be granted 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.
- (c) The 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 shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

#### 7.1.5 Right to Dividends

- (a) Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- (b) The Corporation shall be compelled to declare dividends when its retained earnings shall be 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.

#### 7.1.6 Appraisal Right

- (a) The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:
- 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;
  - 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
  - In case of merger or consolidation.

#### 7.2 Duties to Stakeholders

The Corporation recognizes the interests of its stakeholders, i.e., customers, employees, suppliers, shareholders, investors, creditors, the community the company operates in, society, the government, regulators, competitors, external auditors, etc. The Corporation shall, in formulating the Corporation's strategic and operational decisions affecting its wealth, growth and sustainability, give due consideration to its stakeholders who have an interest in the Corporation and are directly affected by its operations.

### 8. EMPLOYEE PARTICIPATION

The Board shall establish and adopt policies, programs and procedures, that encourage employees to actively participate in the realization of the company's goals and in its

governance, covering, among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward or compensation for employees.

The Board shall also establish and adopt policies and programs against corruption and framework for whistleblowing which will be provided in the Corporation's Code of Conduct.

## **9. MONITORING AND ASSESSMENT**

- 9.1 Each Committee shall report regularly to the Board of Directors.
- 9.2 The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 11 of this Manual.
- 9.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 9.4 This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- 9.5 All business processes and practices being performed within any department or business unit of the model corporation that are inconsistent with any portion of this Manual shall be revoked unless upgraded to the compliance extent.

## **10. ALTERNATIVE DISPUTE RESOLUTION**

- 10.1 Disputes between shareholders, between the shareholders and the Corporation and/or Board or Management, involving their rights and obligations under the Corporation Code, as well as the internal and intra-corporate regulatory rules of the Corporation, are encouraged to be settled through any Alternative Dispute Resolution System under Republic Act No. 9285, otherwise known as the "Alternative Dispute Resolution Act of 2004", including, but not limited to, arbitration, mediation, conciliation.

Towards this end, shareholders may initially refer such disputes to any of the following: (a) the Corporate Secretary; (b) the Investors Relations Officer; (c) Management. Such officers or entities shall endeavor to exhaust all possible intra-corporate remedies available to achieve an efficient resolution of the dispute and prevent excessive litigation.

## 10.2 Process for Dispute Resolution

The Corporation adopts the following steps in the resolution of disputes:

### (a) Consultation

At the onset of a dispute, meetings and conferences between the parties provide an opportunity for identifying the issues, the facts surrounding the dispute and for facilitating effective and prompt resolution of the dispute.

### (b) Negotiations

Opposing parties discuss the mutual action which they may undertake in order to manage and resolve the dispute between them.

### (c) Third Party Assistance

*Mediation* □ - voluntary process in which the parties to the dispute, with the involvement of a mediator, a neutral third party, endeavour to reach an agreement. The mediator only assist the parties to reach their own mutually acceptable settlement of disputed issues but has no decision making power.

□

*Conciliation* □ - the process in which a neutral third party is positioned between the parties to facilitate a channel for communications between the parties where it is preferable that they do not meet face-to-face, and which is intended to facilitate resolution of the dispute.

The parties may also avail of other alternative dispute resolutions.

### (d) Arbitration

In the arbitration process, opposing parties appoint a neutral third party to hear the dispute and decide on the merits of the case. The decision of the arbitrator may be binding or non-binding.

## 11. SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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

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

## **12. 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, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provisions of this Manual:

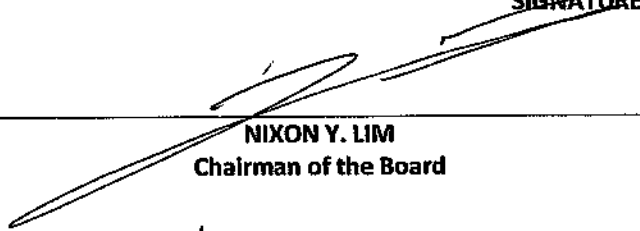
- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation. The duration and appropriateness of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of removal from office may be imposed.

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

Approved by the Board of Directors on May 29, 2017.


Pursuant to the requirement of the Securities and Exchange Commission, this Revised Manual of Corporation Governance is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of PASIG CITY on MAY 29 2017, 2017.

SIGNATURES



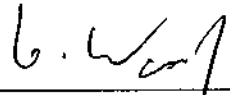
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**NIXON Y. LIM**  
Chairman of the Board



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**DELMA P. BERMUNDO**  
President



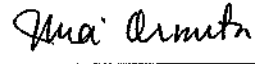
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**KENNETH GEORGE D. WOOD**  
Independent Director



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**DANSE O. BANIQUED**  
Compliance Officer



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**MIA M. ORMITA**  
Corporate Secretary