

RF INSURANCE BROKERS INC.

Corporate Governance Manual

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I. INTRODUCTION

The Board of Directors (the “Board”), Management, Officers and staff of RF Insurance Brokers Inc. (Rampver Insure or RFIBI or “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.

II. OBJECTIVE

This Manual is intended to institutionalize the principles of good corporate governance in the Corporation.

The Board and the Management, Officers, employees and stockholders 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 Corporation of the rules and principles contained in this Manual as soon as possible.

Pursuant to said objective, the Corporation undertakes to require all directors, before assuming as such, to attend a seminar on corporate governance conducted by a duly recognized private or government institution.

III. DEFINITION OF TERMS

Board of Directors - the governing body elected by the shareholders/members that exercises the corporate powers of a corporation, conducts all its business and controls its properties. For purposes of this Code, reference to Board of Directors and/or Directors shall also include reference to Board of Trustees and/or Trustees, respectively, in applicable cases.

Corporate Governance - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders/members and other stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the board of directors and Senior Management accountable for ensuring ethical behaviour and reconciling long-term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society. Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders and the nation.

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.²

Executive director - a director who has executive responsibility of day-to-day operations of a part or the whole 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.

Internal control -a process designed and effected by the entity's Board of Directors/ Trustees, Senior Management, and all levels of personnel to provide reasonable assurance on

the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

Management - a group of executives given the authority by the Board of Directors/ Board of Trustees to implement the policies it has laid down in the conduct of the business of the corporation.

Members - the members of non-stock corporations.

Non-executive director - a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the corporation.

Non-Proprietary Right - an interest, participation or privilege over a specific property of a corporation that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to dividends from the corporation or to its assets upon its liquidation.

Proprietary Right - an interest, participation or privilege in a corporation which gives the holder the right to use the facilities and to receive dividends or earnings from the corporation. Upon the liquidation of the corporation, the holder shall have proportionate ownership rights over its assets.

Public Company - a company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more shareholders holding at least one hundred (100) shares each of equity securities.

Registered Issuer - a company that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) issues equity securities to the public that are not listed in an Exchange; or (3) issues debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange.

Related parties - covers the covered entity's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Related Party Transactions - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of 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.

Significant Influence - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Stakeholders - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the company operates.

IV. THE BOARD'S GOVERNANCE RESPONSIBILITIES

1. ESTABLISHING A COMPETENT BOARD OF DIRECTORS

1.1 BOARD COMPOSITION

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board should 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.

The Board of Directors shall be composed of five (5) members, at least two (2) of whom shall be independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

The members of the Board shall attend, as much as practicable, attend all regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC. A majority of the total number of directors shall constitute a quorum for the transaction of its business.

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

Multiple Board Seats

The optimum number of directorships shall be generally related to the capacity of a director in performing his duties diligently and efficiently. The Board may nevertheless consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations, taking into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

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

1.2 CHAIRPERSON

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

If the two positions are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives

The Board shall be headed by a competent and qualified Chairperson. The roles and responsibilities of the Chairperson shall be contained in the Board Charter. These

include, among others, the following:

- a.) Makes certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b.) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c.) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d.) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e.) Assures the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f.) Makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.
- g.) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chairman may deem necessary;
- h.) 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
- i.) Maintains qualitative and timely lines of communication and information between the Board and Management

1.3 DIRECTOR

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

1.3.1 Qualifications

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities and Regulation Code and other relevant laws, the Board shall provide for additional qualifications which shall take into account, among others, the following:

- a.) College education or equivalent academic degree;
- b.) Competent understanding and relevant experience in the business of the Corporation;
- c.) Membership in good standing in relevant industry, business or professional organizations;
- d.) Possession of integrity and probity.

1.3.2 Duties and Responsibilities

A Director shall have the following duties and responsibilities:

- a.) To conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation;
- b.) To devote time and attention necessary to properly and effectively perform his duties and responsibilities;
- c.) To act judiciously;
- d.) To exercise independent judgment;
- e.) To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of the Articles of Incorporation and the By-Laws, the rules and regulations of the SEC, and, where applicable, the requirements of relevant regulatory agencies;
- f.) To observe confidentiality;
- g.) To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

1.3.3 Remuneration of Directors and Officers

The Corporation shall establish and adopt formal and transparent procedures and policies on the remuneration of its directors and officers. The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

1.4 DIRECTORS' TRAINING

The Company shall have a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors to promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities. The orientation program covers SEC-mandated topics on corporate governance and includes an introduction to the company's business, Articles of Incorporation and Bylaws, and Code of Business Conduct and Ethics. The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. The training can be on any matter relevant to the company, which could include training on audit, internal controls, risk management, sustainability and strategy. The Company shall assess its own training and development needs in determining the coverage of its continuing training program. Orientation program for first-time directors, shall be for at least eight (8) hours, while the annual continuing training be for at least four (4) hours.

1.5 BOARD DIVERSITY POLICY

The Board shall have a policy on board diversity to avoid groupthink and ensure that optimal decision-making is achieved. Groupthink is a mode of thinking in which individual members of small cohesive groups tend to accept a viewpoint or conclusion that represents a perceived group consensus, whether or not the group members believe it to be valid, correct, or optimal. Groupthink reduces the efficiency of collective problem solving within such groups.'

Board membership may be a combination of executive, non-executive and independent directors to enable the Board to have effective decision-making process.

1.6 CORPORATE SECRETARY

The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the corporation and its shareholders/members, and not to the Chairperson or President of the Company and has, among others, the following duties and responsibilities:

- a.) Assists the Board and the Board committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);
- b.) Safekeeps and preserves the integrity of the minutes of the meetings of the Board, Board committees and shareholders/members, as well as other official records of the corporation;
- c.) Keeps abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- d.) Works fairly and objectively with the Board, Management and shareholders/members and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;
- e.) Advises on the establishment of board committees and their terms of reference;
- f.) Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, 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.) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- h.) Performs all required administrative functions;
- i.) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j.) Performs such other duties and responsibilities as may be provided by the Board and the Commission.

1.7. COMPLIANCE OFFICER

The Board shall ensure that it is assisted in its duties by a Compliance Officer, who should

have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Compliance Officer is a member of the company's Management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the corporation and its shareholders/members, and not to the Chairperson or President of the company. He has, among others, the following duties and responsibilities:

- a.) Ensures proper on boarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others];
- b.) Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c.) Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d.) Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
- e.) Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
- f.) Collaborates with other departments within the company to properly address compliance issues, which may be subject to investigation;
- g.) Identifies possible areas of compliance issues and works towards the resolution of the same;
- h.) Ensures the attendance of board members and key officers to relevant trainings; and
- i.) Performs such other duties and responsibilities as may be provided by the Board and SEC.

2. ROLES AND RESPONSIBILITIES OF THE BOARD

- 2.1 The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles of incorporation and by-laws, and other legal pronouncements and guidelines shall be clearly made known to all directors as well as to shareholders/members and other stakeholders.
- 2.2 The Board, in general, shall foster the long-term success of the Corporation, and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.
In this regard, the Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.
- 2.3 The members of the Board shall attend, as much as practicable, attend all regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC. A majority of the total number of directors shall constitute a quorum for the transaction of its business.

To monitor the directors' compliance with attendance requirements, the Corporation shall submit to the Commission, on or before January 30 of the following year and through SEC Form 17-C or in a separate filing, a sworn certification about the directors' record of attendance in Board meetings

- 2.4 The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders/members and all other stakeholders.
- 2.5 The Board shall oversee the development of and approve the company's business and strategy, and monitor its implementation, in order to sustain the company's long-term viability and strength.
- 2.6 The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the company. This should include adopting a retirement policy for directors and key officers.
- 2.7 The Board shall align the remuneration of key officers and board members with the long-term interests of the company/organization. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no director or trustee shall participate in the determination of his own per diem or compensation.

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

- 2.8 The Board shall align the remuneration of key officers and board members with the long-term interests of the company/organization. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no director or trustee should participate in the determination of his own per diem or compensation.
- 2.9 The Board shall have a formal and transparent board nomination and election policy that shall include how it accepts nominations from its shareholders/members and reviews the qualifications of nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director/trustee. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the company

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors (NEDs), the independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members. The process includes monitoring of the qualifications of the directors.

The Board shall Implement a process of selection, in accordance with law and the Corporation's By-Laws (the "By-Laws"), to ensure a mix of competent directors and officers; appoint competent, professional, honest and highly-motivated management and officers; and adopt an effective succession planning program for management;

2.9.1 PERMANENT DISQUALIFICATION

The following may be considered as grounds for the permanent disqualification of a director:

- a.) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b.) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, 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 or as an affiliated person of any of them; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.
- c.) The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code of the Philippines, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- d.) Any person convicted by final judgment or order by a court, 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;
- e.) 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 Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;
- f.) Any person judicially declared as insolvent;
- g.) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- h.) Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Revised Corporation Code of the

Philippines and Securities Regulation Code committed within five years prior to the date of his election or appointment; and

- i.) Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

2.9.2 TEMPORARY DISQUALIFICATION

The following may be grounds for temporary disqualification of a director:

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

2.10 The Board shall have the overall responsibility in ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.

The following are suggestions for the content of the RPT Policy:

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

In addition, the company is given the discretion to set their materiality threshold at a level where omission or misstatement of the transaction could pose a significant risk to the company and influence its economic decision. The SEC may

direct a company to reduce its materiality threshold or amend excluded transactions if the SEC deems that the threshold or exclusion is inappropriate considering the company's size, risk profile, and risk management systems.

Depending on the materiality threshold, approval of Management, the Board or the shareholders may be required. In cases where the Board and/or shareholders'/members' approval is required, it is good practice for interested directors and/or shareholders/members, respectively, to abstain and let the disinterested parties decide

- 2.11 The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO) or his equivalent, and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive, as may be applicable).
- 2.12 The Board shall establish an effective performance evaluation framework, which includes the standard or criteria for assessment that will ensure that the Management, including the Chief Executive Officer or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management.
- 2.13 The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management, and shareholders/members. The Board should also adopt an Internal Audit Charter.
- 2.14 The Board shall oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
- 2.15 The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be made publicly available.

3. BOARD COMMITTEES

3.1 MEMBERS OF BOARD COMMITTEES

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The Board committees should be composed only of board members. The establishment of the same, or any other committees that the company deems necessary, allows for concentration of focus in specific issues and leads to a better management of the Board's workload.

3.2 AUDIT COMMITTEE

The Board shall establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Audit Committee performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal, and

other risks of the Corporation. The function shall include regular receipt from Management of information on risk exposures and risk management activities.

The committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, should be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairperson of the Audit Committee should not be the Chairperson of the Board or of any other committees.

The Audit Committee has the following duties and responsibilities, among others: than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;

- a.) Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;
- b.) Through the IA Department, monitors and evaluates 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;
- c.) Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
- d.) Establishes and identifies 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;
- e.) Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;
- f.) Perform direct interface and oversight functions over the Corporation's Internal and external auditors, and ensure that they act independently from each other, and that both of them are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- g.) Prior to the commencement of the audit, discusses 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 identify proper coverage and minimize duplication of efforts;
- h.) Reviews and approves the annual audit plans to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- i.) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in

relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence⁴. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

- j.) Organizes an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- k.) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security.
- l.) Reviews the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: 1) any change/s in accounting policies and practices; 2) major judgmental areas; 3) significant adjustments resulting from the audit; 4) going concern assumptions; 5) Compliance with accounting standards; and 6) compliance with tax, legal and regulatory requirements.
- m.) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.
- n.) Reviews and approves 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
- o.) Reviews the recommendations in the External Auditor's management letter;
- p.) Performs oversight functions over the corporation's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- q.) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- r.) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;
- s.) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is

updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);

- t.) In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all 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;

- u.) In case of the absence of an RPT Committee:

Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:

- The related party's relationship to the company and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the corporation of the proposed RPT;
- The availability of other sources of comparable products or services;
- An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
- Reports 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;
- Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and

- v.) Performs the functions of the Board Risk Oversight Committee, as provided under Recommendations 3.4, in the absence thereof.

- w.) Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically

meets with the head of the IA.

- x.) Elevates 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 compliant.
 - 2.) An accountability statement that will specifically identify Officers and/or personnel directly responsible for the accomplishment of such task.
 - 3.) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation and formulate a step-by-step procedure and policies handbook that will be used by the entire Corporation

3.3 NOMINATION COMMITTEE

The Nomination Committee shall be composed of three (3) members, at least one of whom shall be an independent director. The Committee shall primarily review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and shall assess the effectiveness of the Board's process and procedures in the election or replacement of directors.

3.4 COMPENSATION AND REMUNERATION COMMITTEE

The Compensation or Remuneration Committee shall be composed of three (3) members, at least one of whom shall be an independent director. The Committee shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of Officers and Directors, and oversee the remuneration of senior Management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy, and control environment.

3.5 CORPORATE GOVERNANCE COMMITTEE

The Board shall establish a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nomination and Remuneration Committee. It shall be composed of at least three (3) directors, majority of whom shall be independent directors, including the Chairperson.

3.6 BOARD RISK OVERSIGHT COMMITTEE

Subject to a corporation's size, risk profile, nature and complexity of operations, the Board should establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management System to ensure its functionality and effectiveness. The BROC should be composed of at least three (3) directors, the majority of whom should be independent directors, including the Chairperson. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

3.7 COMMITTEE CHARTERS

All established committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees and its members.

4. FOSTERING BOARD COMMITMENT

- 4.1 The directors shall attend and actively participate in all meetings of the Board, Committees, and shareholders/members in person or through tele-/Videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.
- 4.2 The non-executive directors of the Board shall not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.
- 4.3 A director shall notify the Board where he is an incumbent director before accepting a directorship in another company.

5. REINFORCING BOARD INDEPENDENCE

- 5.1 The Board 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 carry out proper checks and balances
- 5.2 The Board shall have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.
- 5.3 The Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.
- 5.4 The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from reelection as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders'/members' approval during the annual shareholders'/members' meeting.
- 5.5 The positions of Chairperson of the Board and Chief Executive Officer or its equivalent position, shall be held by separate individuals and each should have clearly defined responsibilities.
- 5.6 The Board shall designate a lead director among the independent directors if the Chairperson of the Board is not independent, including if the positions of the

Chairperson of the Board and Chief Executive Officer or its equivalent are held by one person.

- 5.7 A director with a material or potential interest in any transaction affecting the corporation shall fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction.
- 5.8 The non-executive directors shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director, if applicable.

6. ASSESSING BOARD PERFORMANCE

- 6.1 The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees.
- 6.2 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 / members.
- 6.3 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 this Manual.

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.

7. STRENGTHENING BOARD ETHICS

- 7.1 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 of board members.
- 7.2 The Board shall ensure the proper and efficient implementation and monitoring Of compliance with the Code of Business Conduct and Ethics.

V. DISCLOSURE AND TRANSPARENCY

1. The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders/members and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.
2. The Company shall have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares by the said directors and officers within five (5) business days.

3. The Company's corporate governance policies, programs and procedures shall be contained in its Manual on Corporate Governance, which should be submitted to the Commission and posted on the company's website.
4. The Company should disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report, which shall be submitted to the Commission, and continuously updated and posted on the company's website.
5. The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence relative to this function as such shall be addressed to the said Compliance Officer.

VI. INTERNAL AUDITOR

1. The Corporation shall have in place an independent internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. In this regard, the Board shall appoint an Internal Auditor, which shall perform the audit function, as guided by the International Standards on Professional Practice for Internal Auditing.
2. The Internal Auditor shall report to the Audit Committee. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.
3. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

VII. EXTERNAL AUDITOR'S INDEPENDENCE AND AUDIT QUALITY

The company 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 audit quality.

In accordance with Section 29 of the Investment Company Act, the Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with its duties as an independent director, or does not pose a threat to its independence.

The external auditor shall be rotated or changed every five (5) years or earlier, or the assigning partner of the external auditing firm assigned to the Corporation, shall be changed with the same frequency. The Internal Auditor shall submit to the Audit Committee and Management an annual report on its activities, responsibilities and performance relative to its plans and strategies approved by the Audit Committee. The Annual Report shall include significant risk exposures; control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that it conducts its activities in accordance with the International Standards on the Professional Practice of Internal Auditing; otherwise, it shall disclose to the Board and Management the reasons for non-compliance with the said standards.

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

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

1. The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee and approved by the Board of Directors and the shareholders. For the removal or change in the external auditor, the reasons for removal or change should be disclosed to the Commission, the shareholders, and the public through the company website and other required disclosures.
2. The Audit Committee Charter should include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
3. The company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflict of interest cases. The Audit Committee should 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.

VIII. NON-FINANCIAL AND SUSTAINABILITY REPORTING

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

In case information volunteered by Management is not sufficient, further inquiries may be made by a member of the Board to enable him to properly perform his duties and responsibilities. The members shall be given independent access to Management and the Corporate Secretary.

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

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

IX. COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

The company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for an informed decision-making by investors, stakeholders and other interested users.

1. The company shall have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.
2. All material information about the Corporation, which could adversely affect its viability or the interest of the stockholders or anything that could potentially affect share price, shall be publicly disclosed. Such information shall include, among others, earnings results, acquisition or disposal of assets, off balance sheet transactions, Board changes, related party transactions, shareholdings of Directors, direct and indirect remuneration of members of the Board, and substantial changes to the ownership of the Corporation's shares.
3. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or Officer through the Corporation's Compliance Officer, via the approved procedure for the Corporation's announcements, its annual report, and/or through the appropriate submission mechanism set forth by the SEC.
4. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days. All Directors and Senior Officers are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance with its provisions.
5. 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.

X. INTERNAL CONTROL AND RISK MANAGEMENT

1. The Corporation's control environment shall consist of the Board, which shall ensure proper and effective management of the Corporation, and the Management, which shall soundly, prudently, and actively manage and operate it. There shall be organizational and procedural controls in place, which shall be supported by effective management information and risk management reporting systems. In addition, there shall be an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, rules, regulations and contracts.

Pursuant thereto, the Board shall develop and implement internal control mechanism and systems of effective organizational and operational controls to ensure performance of its oversight responsibility.

2. The Company shall have an adequate and effective internal control system and an Enterprise Risk Management framework in the conduct of its business, taking into account its size, risk profile, nature and complexity of operations.

An effective ERM framework typically includes activities such as, identification, sourcing, measurement, evaluation, mitigation and monitoring of risk.

3. The Company 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 company's operations. A separate Internal Audit (IA) function is essential to monitor and guide the implementation of company policies. It helps the company accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the company's governance, risk

management and control functions.

XI. RELATIONSHIP WITH SHAREHOLDERS/MEMBERS

1. The Board shall ensure that basic shareholder/member rights are disclosed in the Manual on Corporate Governance.
2. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders'/Members' Meeting with sufficient and relevant information at least 21 days before the meeting.
3. The Board shall encourage active shareholder/member participation by making the result of the votes on matters taken during the most recent Annual or Special Shareholders'/Members' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders'/Members' Meeting should be available on the company website within five (5) business days from the date of the meeting.
4. The Board shall make available, at the option of a shareholder/member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.
5. The Board shall establish an Investor Relations Office (IRO) or Customer Relations Office (CRO) or its equivalent to ensure constant engagement and communication with its shareholders/members. The IRO or CRO or its equivalent should be present at every shareholders'/members' meeting.

XII. DUTIES TO STAKEHOLDERS

1. STAKEHOLDERS' RIGHTS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS' RIGHTS

- 1.1 The Board shall identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.
- 1.2 The Board shall establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders.
- 1.3 Subject to certain restrictions and guidelines provided in the Corporation's Articles of Incorporation, the By-Laws and this Manual, the Board shall be committed to respect the following rights of the stockholders: 1) right to vote on all matters that require their consent or approval; 2) pre-emptive right to all stocks issuances of the Corporation; 3) right to inspect corporate books and records; 4) right to information; 5) right to dividends; and f) appraisal right.

1. Voting Right

Stockholders shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of directors. A Director shall not be removed without cause if it will deny minority stockholders representation in the Board.

2. Power of Inspection

All stockholders shall, upon written request and during reasonable hours on business days, 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 unreasonable cost or restrictions.

3. Right to Information

The Stockholders 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.

Subject to the requirements of the Corporation Code and the Corporation's By-Laws, the minority stockholders shall be given every opportunity to propose the holding of a meeting, and to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

The minority stockholders shall have access to any and all information relating to matters for which the management is accountable, in accordance with the provisions of this Manual, the By-Laws and existing laws.

4. Right to Dividends

Stockholders shall have the right to receive dividends subject to the discretion of the Board. 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.

5. Appraisal Right

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

- 1.4 The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings, or at least apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the Corporation's By-Laws, the exercises of such right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.
- 1.5 It shall be the duty of the Board to promote shareholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek

redress for violation of their rights. It shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. The Board shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. It shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

- 1.6 Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
- 1.7 All stockholders shall be treated equally and without discrimination. The Board may give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that related directly to the business of the Club.

2. ENCOURAGING EMPLOYEES' PARTICIPATION

- 1.1. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.
- 1.2. The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through orientations and continuous trainings to embed them in the company's culture.
- 1.3. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

3. SUSTAINABILITY AND SOCIAL RESPONSIBILITY

1. The company 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.

XIII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

The following penalties shall be imposed, after notice and hearing, on any Director, Officer, employee or staff of the Corporation violating any of the provisions of this Manual:

1. For first violation, the subject person shall be reprimanded.
2. Suspension from office shall be imposed in case of a second violation. The duration of the suspension shall depend on the gravity of the violation.
3. For the third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of this Manual by any member of the Board shall be a sufficient cause for removal from such office.

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, for further review and approval of the Board.