



Integrated Micro-Electronics, Inc.
North Science Avenue,
Special Export Processing Zone
Laguna Technopark
Binan Laguna 4024
Philippines

Tel +63 2 756 6840; +63 2 756 6940
Tel +63 49 544 0312
www.global-imi.com

December 6, 2018

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

Attention: Ms. Justina F. Callangan
Director, Corporation & Finance Department

Philippine Stock Exchange
Philippine Stock Exchange Tower
Bonifacio Global City, Taguig City

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

Gentlemen:

In compliance with SEC Memorandum Circular No. 13, Series of 2016, we are submitting our Revised Manual of Corporate Governance based on the Code of Corporate Governance for Publicly-Listed Companies (“CG for PLCs”).

Upon further review and approval of the Board of Directors, the following items were revised:

- Article II Board Governance, 2. Board Committees, 2.2 Board Governance and Nomination Committee (page 16):

The Corporate Governance and Nomination Committee shall be composed of at least three (3) members, to the extent possible, all of whom should be independent directors, including the Chairman.

- Inclusion of Alternative Dispute Resolution Mechanism in Article VIII. Stockholders’ Rights and Protection of Minority Stockholders’ Interests.

Article VIII. 3. Alternative Dispute Resolution Mechanism

Any controversy or claim brought directly by a shareholder of the Corporation against the Corporation or any of its Directors, officers, or agents may be settled by arbitration as provided under the Philippine Alternative Dispute Resolution Act of 2014.

The arbitration shall be conducted in accordance with the Arbitration Rules of the Philippine Dispute Resolution Center, Inc. of the Philippine Chamber of Commerce and Industry (the “Arbitration Rules”) then in effect.

The place of arbitration shall be in Metro Manila and the language of arbitration shall be in English.

There shall be three (3) arbitrators (the "Arbitral Tribunal") to be appointed in accordance with the Arbitration Rules.

The parties shall be bound by the award rendered by the Arbitral Tribunal and confirmed by the appropriate Regional Trial Court.

Arbitration shall not be available for disputes involving claims in excess of One Million Pesos (PhP1,000,000.00) or involving the determination of the fair valuation of shares in appraisal proceedings.

We trust that you find the attached report compliant with the Commission's requirements.

Thank you.

Very truly yours,



JAIME G. SANCHEZ
Vice President, Deputy CFO and Group Controller
Compliance Officer



INTEGRATED MICRO-ELECTRONICS, INC.

CORPORATE GOVERNANCE MANUAL

2018

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ARTICLE I

PREAMBLE

Corporate governance refers to “the framework of rules, systems and processes in the Corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.”¹ It encompasses the entirety of the legal and factual regulatory framework for managing and supervising a Corporation.² The primary goal of corporate governance is to create and sustain increased value in the Corporation for all of its stockholders and other stakeholders. To achieve this goal, it is necessary – among other things – to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stockholders concerned and other stakeholders; thereby safeguarding stockholders’ and other stakeholders’ rights as well as promoting stockholders’ and other stakeholders’ participation in the corporate governance process.

The governing rules for Corporate Governance is not drawn from any single document. The Philippine Corporation Code lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (Republic Act No. 8799), and the implementing rules and regulations thereof, the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002, as amended by SEC MC No. 6 Series of 2009 and SEC MC 9, series of 2014) as well as the Code of Corporate Governance for Publicly-listed Companies issued by the Securities and Exchange Commission (“SEC” or “Commission”). When the context allows and when appropriate, a term used herein shall have the meaning given to such term in the relevant and applicable laws and implementing rules and regulations.

The machinery for corporate governance of Integrated Micro-Electronics, Inc. (the “Corporation”) is principally contained in the Corporation’s Articles of Incorporation and By-Laws and their amendments. These constitutive documents lay down, among other things, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Revised Manual of Corporate Governance is to supplement and complement the Corporation’s Articles and By-Laws by setting forth principles of good and transparent governance.

The Board of Directors, Management, Officers and employees of the Corporation commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization declares its continuing commitment to the Corporation’s Vision and Mission which are made integral parts of this Manual.

¹ SEC Memorandum Circular No. 9, Series of 2014.

² Berlin Initiative Group Code of Corporate Governance.



OUR VISION

The Leading INNOVATIVE Partner for CUSTOMIZED Solutions. Our PEOPLE deliver the HIGHEST quality experience.

OUR MISSION

Passionately create a unique product realization experience that our partners love.

OUR CORE VALUES

Integrity: Honesty, trustworthiness and consistency in words and actions.

Customer Focus: Building strong partnership with customers by providing excellent and mutually beneficial solutions.

Concern for others: Caring for co-employees, community and country.

Excellence: Doing the best and continuously exceeding expectations.

ARTICLE II

BOARD GOVERNANCE

1. The Board of Directors

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

1.1 Composition

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

The Board shall be composed of a majority of non-executive directors and at least three (3) Independent Directors or such number as may be required by law who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

1.2 Diversity

The Corporation is committed to having our Board comprised of qualified and dedicated Directors with a diverse mix of expertise, experience, skills and backgrounds. Diversity includes business experience, age, gender and ethnicity. Nominees shall be selected based on merit. In furtherance of this policy, the Corporate Governance and Nomination Committee will encourage the selection of a mix of competent Directors ensuring that female candidates are included for consideration, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies.³

1.3 Retirement Age of Directors

The Board should be responsible for ensuring and adopting an effective succession planning program for Directors, key officers and management to ensure growth and a continued increase in the shareholders' value.

No person eighty (80) years of age or older shall be eligible for election, re-election, appointment or re-appointments as a member of the Board.

1.4 Policy on Multiple Board Seats

The Corporation shall ensure that adequate time and attention is given to the fulfillment of the Directors of their duties. The Independent Directors and Non-executive Directors shall hold no more than five (5) board seats in publicly-listed companies (PLCs) and Executive Directors shall hold no more than two (2) board seats in listed companies outside the Corporation's group.⁴ In the implementation of this policy, the Board may consider several directorships in related companies or companies in the same industry as one. The Board may also allow Executive Directors to hold directorships that are necessary or desirable in the pursuit of the Corporation's business or in furtherance of its corporate social responsibility.

1.5 Qualifications

A director of the Corporation shall have the following qualifications.

³ SEC Memorandum Circular No. 19, Series of 2016, Recommendation 1.4

⁴ ACGS, E.2.8 and E.2.9

- a) Ownership of at least one (1) share of the capital stock of the at the time of his election;⁵
- b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business;
- c) Relevant qualification, such as previous business experience, membership in good standing in a relevant industry, and membership in business or professional organizations⁶;
- d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;

1.6 Disqualifications

The following may be considered as grounds for the permanent disqualifications of a Director:

- a) Conviction by final judgment or order by a competent judicial or administrative body of any crime or violation punishable under the Securities Regulation Code (SRC), the Corporation Code or any other law administered by the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or BSP, resulting in any of the grounds for the disqualification of a Director under the Corporate Governance Code for PLCs;
- b) Conviction by final judgment or order by a court, or competent administrative body of an offense involving turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- c) Judicial declaration of insolvency;
- d) Conviction 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;
- e) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- f) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged
 - i) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation, or
 - ii) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) or 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

⁵ Corporation Code, Sec. 23.

⁶ CG Code, Article 3.D) (iii)

- iii) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

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

- i) An Independent Director, after serving for nine years, shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as a non-Independent Director in the Corporation and as an Independent Director in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the SEC.
- j) Other grounds as the SEC may provide.

1.7 Temporary Disqualification of Directors

The following are grounds for the temporary disqualification of incumbent Directors:

- a) Refusal to fully disclose the extent of his business interest as required under SRC and its Implementing Rules and Regulations (IRR),
- b) Absence in more than seventy five percent (75%) of all regular and special meetings of the Board during his incumbency unless the absence is due to illness, death in the immediate family or serious accident.⁷ The Director(s) concerned shall not be eligible for re-election in the succeeding election.
- c) Dismissal or termination 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 or termination;
- d) Being under preventive suspension by the Corporation for any reason.
- e) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- f) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.⁸

1.8 Independent Directors

Independent Directors shall hold no interest or relationship with the Corporation that may hinder their independence from the Corporation or Management and interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

⁷ Board Charter, Section 5.3.

⁸ SEC Revised Code of Corporate Governance, Article 3.1.

An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder at the time of his election or appointment and/or re-election as a director.

An Independent Director, under Philippine law and the rules of the SEC and the PSE, is one who:⁹

- a. Is not, or has not been a senior officer or employee of the corporation unless there has been a change in the controlling ownership of the company.
- b. Is not, and has not been in the three years immediately preceding the election, a director of the corporation; a director, officer, employee of the corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the corporation's substantial shareholders and its related companies;
- c. Has not been appointed in the corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the corporation, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial shareholder of the corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of the corporation or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among other, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. Is not retained, either in his personal capacity or through a firm, as a professional advisor, auditor, consultant, agent or counsel of the corporation, any of its related companies or substantial shareholder, or is otherwise independent of management and free from any business or other relationship within the three years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- j. Is not affiliated with any non-profit organization that receives significant funding from the corporation or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the corporation's executives serve as directors.

⁹ SEC Memorandum No. 19, series of 2016, Recommendation 5.2

- i. Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms' length and are immaterial or insignificant.¹⁰

The types of transaction or affiliation under paragraph (f) above which disqualify one from becoming an Independent Director include:

- f.1) personal service contracts with the Corporation, or any of its related companies, or its senior management;
- f.2) being affiliated with a significant customer or supplier of the Corporation or any of its related companies. For this purpose, a person shall be deemed to be affiliated with a party if such person (a) has a direct or indirect ownership interest in, or (b) is employed by such party;
- f.3) being affiliated with a non-profit organization that receives significant funding from the Corporation, or any of its related companies;
- f.4) being a member of the immediate family of an individual who is, or has been during the past five years, employed by the Corporation or any of its related companies as an executive officer; or
- f.5) being affiliated with or employed by a present or former auditor of the Corporation, or any of its related companies in the past five years has been.¹¹

An Independent Director shall be disqualified during his tenure under the following instances or causes:

- a) He becomes an officer or employee of the Corporation or becomes any of the persons enumerated above;
- b) His beneficial security ownership in the Corporation or in its related companies exceeds two percent (2%)¹², which case the Corporation shall forthwith cease to consider him as an Independent Director until his beneficial security ownership is reduced to two percent (2%) or lower.
- c) He fails to meet the attendance requirement as set forth in Section 5.3 of the Board Charter.

1.9 Term Limit

In accordance with SEC Memorandum Circular No. 9, Series of 2011, an Independent Director, after serving for nine (9) years, shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as a non-Independent Director in the Corporation and as an Independent Director in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the SEC. In case the Corporation wants to retain an Independent Director who has served for nine (9) years already, the Board should provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.¹³

The Corporation shall, as appropriate, provide Independent Directors with technical support staff to assist them in performing their duties for committees. Independent Directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform their duties. The Corporation shall cover the reasonable expenses of providing such support.

¹⁰ SEC Memorandum Circular No. 16, series of 2002, II. A. vi.

¹¹ National Association of Securities Dealers Automated Quotations (NASDAQ) Rule 4200, a(15)

¹² SEC Revised Code of Governance, Article 3. E) 2. (iv)

¹³ SEC Memorandum No. 19, series of 2016, Recommendation 5.3

1.10 Lead Independent Director

A Lead Independent Director shall be appointed if the Chairman of the Board is not independent from Management, such as when the positions of the Chairman of the Board and the CEO are held by one person. The Lead Independent Director shall, among others:

- a) Intermediate between the Chairman of the Board and the other Directors, if and when needed;
- b) Convene and chair the periodic meetings of the Non-Executive Directors with the external auditor and head of internal audit, compliance and risk, as may be needed; and
- c) Contribute to the performance evaluation of the Chairman of the Board.

1.11 Board Meetings and Quorum Requirements

- a) All the members of the Board, including Independent Directors, should attend and actively participate in all meeting of the Board, Committees, and Shareholders 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 director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.¹⁴
- b) The Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings.¹⁵ However, the absence of an Independent Director, however, shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.
- c) The Board shall meet at least six (6) times each calendar year.¹⁶ It shall hold a meeting before the start of the financial year,¹⁷ immediately after the annual meeting of the stockholders, at least once every quarter, and on such other days that it may designate.

It may be convened in special meeting by the Chairman or at least the request of three (3) Directors.
- d) Two-thirds (2/3) of the number of Directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business.¹⁸
- e) 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 proper checks and balances are in place within the corporation. Meetings shall be chaired by the lead Independent Director.¹⁹

1.12 Responsibility of the Board for Good Governance

- a) Compliance with the principles of good governance shall start with the Board of Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.²⁰
- b) To ensure good governance of the Corporation, the Board shall formulate and continuously review the Corporation's vision, mission, strategic objectives, policies and

¹⁴ SEC Memorandum Circular No. 19, Series of 2016, Principle 4, Recommendation 4.1.

¹⁵ SEC Revised Code of Corporate Governance, Article 3. I).

¹⁶ ACGS, E.3.2 and Board Charter Section 5.1.

¹⁷ ACGS, E.3.1

¹⁸ ACGS, E.3.4

¹⁹ SEC Memorandum No. 19, series of 2016, Recommendation 5.27

²⁰ SEC Memorandum Circular No. 9, Series of 2014

procedures that shall guide its activities, including the means to effectively monitor Management's performance.²¹ The Board shall review the vision and mission statement of the Corporation every year,²² and shall oversee the implementation of the corporate strategy.²³

- c) Oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation to sustain its long-term viability and strength.
- d) Adopt an effective succession planning program for Directors, key officer and management to ensure growth and a continued increase in the shareholders' value.
- e) Select, appoint and assess the performance of the President, CEO, Chief Operating Officer (COO), and other senior officers including the Chief Finance Officer, Chief Risk Officer, Compliance Officer and Chief Audit Executive in accordance with the process and criteria set in the Board Charter;
- f) Establish an effective performance management framework to align Management's performance with the standards and criteria set by the Board and Senior Management;
- g) Formulate and adopt a policy for the Board's and key officers' compensation programs aligned with work required and performance against business plans;
- h) Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;
- i) Ensure that the Corporation complies with all relevant laws, regulations and as far as possible, best business practices;
- j) Formulate a clear communication and disclosure policy and strategy to accurately, promptly, regularly and effectively communicate with the SEC, the Philippine Stock Exchange (PSE) and the Corporation's stockholders and other stakeholders and oversee the proper and effective implementation thereof;
- k) To the extent set forth above, the Board of Directors shall orient all its activities towards three general guidelines:
 - (i) All actions taken by the Board are subject to the principle of legal permissibility and therefore, must not infringe on the appropriate provisions of Philippine law and the Corporation's constitutive documents.
 - (ii) All actions taken by the Board are subject to the principle of economic usefulness. The Board should accordingly contribute to increasing the value of the Corporation in a sustainable manner.²⁴
 - (iii) The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed Corporation.
- l) The Board shall ensure the presence and adequacy of Internal Control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility²⁵ include, but shall not be limited to:
 - (i) Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;

²¹ SEC Revised Code of Corporate Governance, Article 3. F) 1.

²² ACGS, E.1.4. and E.1.5.

²³ ACGS, E.1.6.

²⁴ Berlin Initiative Group German Code of Corporate Governance.

²⁵ SEC Memorandum Circular No. 2, Series of 2002

- (ii) Reviewing conflict-of-interest situations and providing appropriate remedial measures for these situations;
 - (iii) Appointing a Chief Executive Officer (“CEO”) with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;
 - (iv) Reviewing proposed senior management appointments;
 - (v) Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Corporation’s personnel and human resources policies, compensation plan and the management succession plan;
 - (vi) Institutionalizing the Internal Audit function and approves the Internal Audit Charter;
 - (vii) Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.
- m) Ensure that there is sound Enterprise Risk Management (ERM) framework to identify and monitor key risks and key performance areas, and endeavor to provide appropriate technology and systems for the proper identification and monitoring thereof;
 - n) Formulate and implement policies and procedures that would ensure the integrity, transparency and would guarantee fairness of related party transactions including other unusual or infrequently occurring transaction exceeding thresholds of materiality between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and Directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;
 - o) Establish and make available an alternative dispute resolution mechanism in the Corporation that can amicably settle intra-corporate disputes;
 - p) Create an internal self-rating system for the annual performance self-assessment of the Chairman of the Board, the individual Directors, the board committees, the CEO, President and COO and other key management officials in accordance with the process and criteria laid down in the Board Charter, and in line with the Corporation’s plans and objectives;
 - q) Develop a formal and transparent policy for nomination and election of Directors;
 - r) Cause the Corporation to participate in the Corporate Governance Survey using the ASEAN Corporate Governance Scorecard;
 - s) Be responsible for financial reporting and control, and in this connection, shall:
 - (i) Provide to all stockholders and other stakeholders relevant and timely information about the Corporation, including but not limited to a semestral report and an annual report of the Corporation’s performance, position and prospects through publicly available reports submitted to the SEC;
 - (ii) Present a balanced and understandable assessment of the Corporation’s position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
 - (iii) Explain its responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

- (iv) Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
 - (v) Maintain a sound system of internal control to safeguard stockholders' and other stakeholders' investment and the Corporation's assets;
 - (vi) Ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls within the Corporation;
 - (vii) Require the Chief Audit Executive to render to the Audit Committee an annual report on the Internal Audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- t) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;
 - u) Create a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;
 - v) Create and design a Code of Conduct with an anti-corruption policy and programs suitable to the needs of the Corporation and ensure proper and efficient implementation and monitoring of compliance with the Code, including providing appropriate orientation and training to the Board, senior management and employees;
 - w) 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 a unit created to handle whistleblowing concerns and ensure its enforcement;
 - x) Adopt a globally-recognized standard or framework in reporting sustainability and non-financial issues such as economic, environmental, social and governance issues of the Corporation's business;
 - y) Establish policies, programs and procedures covering, among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation, that will encourage employees to actively participate in the realization of the Corporation's goals and in its governance; and
 - z) Establish Board Committees which will have their respective Charters providing for their purposes, structures, operations, reporting processes and performance standards.

1.13 Specific Duties and Responsibilities of each Director

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

- a) Be worthy of trust and confidence. He should act in the best interest of the Corporation, the stockholders and other stakeholders in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress over the long term.²⁶

²⁶ SEC Model.

- b) Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual.
- c) Abstain from taking part in deliberations for transactions where he has a material interest in;
- d) Devote time and attention necessary to properly discharge his duties and responsibilities. A director should attend and actively participate in all meetings of the Board, the Board Committees where he is a member of, and the shareholders, except when prevented by justifiable causes,
- e) Act judiciously on a fully informed basis, in good faith and with due diligence and care. Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek clarifications as appropriate.
- f) Exercise independent judgment. A director should view each problem or situation objectively and support plans and ideas which he believes are beneficial to the Corporation.
- g) Have a working knowledge of the statutory and regulatory requirements affecting the Corporation. This includes a firm knowledge of the contents of the articles of incorporation and by-laws of the Corporation and the amendments thereof, the requirements of the SEC for the conduct of the Corporation's business, and where applicable, the requirements of other regulatory agencies.
- h) Observe confidentiality. A director shall observe the confidentiality of non-public information acquired by reason of his position as a director. He should not disclose any information to any other person without the authority of the Board.
- i) Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Corporation.
- j) Orientation and Continuing Education Programs for Directors. Prior to assuming office, all new Directors shall undergo at the minimum an eight-hour orientation program on the Corporation's business and corporate structure, its vision, mission and corporate strategy, the By-laws, this Manual, the Charters, the SEC-mandated topics on corporate governance and other relevant matters essential for the effective performance of their duties and responsibilities.²⁷ Directors shall likewise attend at least once a year, a four-hour annual continuing training program involving courses on corporate governance.²⁸
- k) Notify the Board, through the Corporate Secretary, before accepting a directorship on another Corporation.²⁹
- l) Annual performance assessment of the Board. The board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator. Criteria and process to determine the performance of the Board, the individual directors, committees are stated in the Board Charter.

²⁷ ACGS, E.5.1.

²⁸ SEC Memorandum Circular No. 20, series of 2013

²⁹ SEC Memorandum Circular No. 19, series of 2016, Recommendation 4.3

1.14 Liability of Directors

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

When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.³⁰

1.15 Compensation and Liability Insurance Coverage of Directors

- a) The Board of Directors shall have the sole authority, in accordance with the resolution of the stockholders or the By-Laws, to determine the amount, form and structure of the fees and other compensation of the Directors.
- b) Only non-executive directors shall be entitled to receive from the Corporation fees other compensation for their services as Directors. In no case shall the total yearly compensation of such Directors exceed five percent (5%) of the net income before tax of the Corporation during the preceding year.³¹
- c) From the effective date of this Manual, no Director shall be involved in deciding his own remuneration during his incumbent term.³²
- d) To ensure effectiveness of holding Directors accountable and to attract competent persons as Directors, the Corporation may purchase at its own expense liability insurance coverage for its Directors.³³

1.16 Performance Assessment

The Board shall undergo a formal assessment process annually whereby each Director will complete a questionnaire relating to the role, composition, processes, practices and behavior of the Board, its members, the Chairman and the Committees. Responses to the questionnaires are confidential and provided to the Compliance Officer, who shall report the aggregated results to the Board during the meeting immediately following the end of the assessment process.

2. Board Committees

The Board of Directors may create such committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance.³⁴ As a minimum, however, the Board shall be supported by the following committees:

2.1 Executive Committee

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

³⁰ Corporation Code, Section 31.

³¹ Article IV, Section 9, Amended By-laws.

³² SEC Model.

³³ Korean Code of Best Practices for Corporate Governance.

³⁴ SEC Memorandum Circular No. 6, Series of 2009, Article 3(K).

The proportion of non-Filipino nationals to citizens of the Philippines in the membership of the Executive Committee shall not, at any time, exceed the proportion that the number of shares of the Corporation held by aliens bears to the number of shares of the Corporation held by citizens of the Philippines as set forth in its Articles of Incorporation.

- b) The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, except with respect to --
 - i. approval of any action for which shareholders' approval is also required;
 - ii. the filling of vacancies on the Board or in the Executive Committee;
 - iii. the amendment or repeal of By-Laws or the adoption of new By-Laws;
 - iv. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
 - v. the distribution of cash dividends; and
 - vi. the exercise of powers delegated by the Board exclusively to other committees, if any.
- c) A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity; provided, however, that, the Board of Directors may, at any time, enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action, and may be subject to revision or alteration by the Board of Directors; provided that no rights or acts of third parties shall be affected by any such revision or alteration.
- d) The Committee shall hold meetings as often as may be deemed necessary or desirable at a time and place determined by its Chairman. The actions of the Committee may also be taken by written consent (in physical, electronic or digital format) by majority of the members when deemed necessary by the Committee or its Chairman. The minutes of the Committee meeting will be recorded and maintained by the Corporate Secretary and presented to the Committee at the next Committee meeting for approval. The Corporate Secretary or his designated representative shall act as a secretary for the meetings.

2.2 Corporate Governance and Nomination Committee³⁵

The Corporate Governance and Nomination Committee shall be composed of at least three (3) members, to the extent possible, all of whom should be independent directors, including the Chairman.

The Committee shall have the following functions:

- a) Oversees 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) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

³⁵ SEC Memorandum Circular No. 6, Series of 2009, Article 3(K)(ii)(a).

- c) Ensures 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) Recommends and plans continuing education or training programs for the members of the Board, compliant with the required minimum hours for new and incumbent directors, and proposes for the approval of the Board, the assignment of tasks and projects to the Board committees;
- e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f) Reviews and monitors the structure, size and composition of the Board and makes recommendations to ensure compliance with applicable laws, rules and regulations as well as the Corporation's By-laws and this Manual.
- g) Nominates and selects a mix of competent Directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- h) Ensures that all nominations to the Board are fair and transparent, and that all nominees are qualified in accordance with the By-laws, Corporate Governance Manual, Board Charter and relevant laws, rules and regulations;
- i) Reviews and evaluates the qualifications of persons nominated to positions which require appointment by the Board, and provides guidance and advice as necessary for appointments by the Chairman or President;
- j) Review succession plans for members of the Board and senior executives (from group heads to the Chief Executive Officer);
- k) Assesses the effectiveness of the Board's processes and procedures in the election or replacement of Board members and in appointing officers or advisors, and develops, updates and recommends to the Board policies for considering nominees for Directors, officers or advisors;
- l) Performs such other duties and responsibilities that may be delegated to the Committee by the Board from time to time.

2.3 Compensation Committee³⁶

The Compensation shall be composed of at least three (3) members, one of whom shall be an independent director.

The Board shall designate one (1) member of the Committee, who must be an Independent Director, as its Chairman.

It shall have the following duties and responsibilities:

- a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of 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) Review, at least annually, the performance of each of the Chairman of the Board, the Chief Executive Officer (CEO), the President and Chief Operating Officer (COO) and measure such performance against each of his goals and objectives pursuant to the

³⁶ Ibid., Article 3(K)(ii)(b).

Corporation's plans and determine his or her compensation for the approval of the Board;

- c) Review the structure and competitiveness of the Corporation's executive officer compensation programs considering the following factors: (i) to the attraction and retention of executive officers; (ii) the motivation of executive officers to achieve the Corporation's business objectives; and (iii) the alignment of the interests of executive officers with the long-term interests of the Corporation's shareholders and other stakeholders;
- d) Develop and periodically review a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compels 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 participate in discussions or deliberations involving his 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) Periodically review the 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.

2.4 Audit and Risk Committee³⁷

- a) There shall be an Audit and Risk Committee composed of at least three (3) members, majority of whom shall be Independent Directors. An Independent Director shall chair the Committee. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular.
- b) The Audit and Risk Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Corporation. It shall have the following particular duties and responsibilities:
 - (i) Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
 - (ii) Through the Internal Audit (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;
 - (iii) Oversees the Internal Audit Department and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

³⁷ SEC Memorandum Circular No. 6, Series of 2009, Article 3(K)(i).

- (iv) 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;
- (v) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations.
- (vi) 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 secure proper coverage and minimize duplication of efforts;
- (vii) 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 to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- (viii) 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
- (ix) Reviews the disposition of the recommendations in the External Auditor's management letter;
- (x) Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (xi) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- (xii) 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 stockholders.
- (xiii) Develops 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;
- (xiv) Oversees the implementation of the enterprise risk management plan through a Risk Committee. The committee conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;

- (xv) Evaluates the risk management plan to ensure its continued relevance, comprehensive and effectiveness. The committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- (xvi) Advises the Board on its risk appetite levels and risk tolerance limits;
- (xvii) Reviews 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;
- (xviii) Assesses 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;
- (xix) Provides 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; and
- (xx) Reports 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 recommends further action or plans, as necessary.

The Audit and Risk Committee meets with the Board at least two times a year without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

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

2.5 Finance Committee

- a) The Finance Committee composed of at least three (3) members, a majority of whom shall be existing Board members. The Board shall have the authority at any time to remove individuals from the Committee. The Chairpersons of the Audit Committee and the Finance Committee shall not sit as members of both committees.
- b) The Committee shall carry out the following duties, in each case in line with the Board's policies and directives:
 - b.1) The Committee shall review the company's capital structure strategies. The Committee shall also review and approve the Corporation's dividend policy and recommend dividend actions to the Board of Directors.
 - b.2) The Committee shall review the financial terms of mergers, acquisitions, or other strategic investments, as well as divestitures of any material operations of the Company, and make appropriate recommendations to the Board of Directors.
 - b.3) The Committee shall have general oversight responsibility over the Corporation's Treasury activities. The Committee shall review and approve changes in the Treasury Policies, including:
 - (i) Policies with respect to cash flow management;
 - (ii) Policies with respect to investment of the company's cash, and

- (iii) Policies with respect to financial risk management, including the use of derivatives.

The Finance Committee shall be responsible for reviewing and evaluating the financial affairs of the Corporation from time to time and carry out such other duties as may be delegated to it by the Board of Directors from time to time.

- c) The Committee shall meet at least four times a year, or more frequently, as needed.

2.6 Proxy Validation Committee

The Board of Directors shall appoint three (3) persons (who need not be stockholders) to act as Proxy Validation Committee which shall be empowered to pass on the validity of proxies. The Proxy Validation Committee shall be guided by existing laws, and the SEC rules and regulations regarding proxies. The term of office of the Committee members shall be fixed by the Board of Directors. In the event of vacancy in the Committee membership, the Board of Directors may appoint another member to such vacancy.³⁸

The Committee shall have the following duties and responsibilities:

- a) Validate the proxies submitted by the stockholders at least five (5) working days prior to date of the stockholders' meeting and submit the Proxy Validation Summary to the Office of the Corporate Secretary. The Committee shall only consider proxies submitted not later than seven (7) working days prior to the date of the stockholders' meeting.
- b) Count and tabulate the votes cast at the Corporation's stockholders' meeting, and submit the results of the tabulation to an independent party of inspectors for validation; The Committee shall cause the results of the voted to be posted in the Corporation's website in the next working day following the holding of the annual meeting of the stockholders.
- c) Perform such other duties and functions as may be delegated by the Board from time to time.

2.7 Related Party Transactions Committee

The Board shall appoint at least three (3) non-executive directors, two of whom should be independent, including the Chairman, which should be tasked with reviewing all material related party transactions of the company.

The Committee shall have the following duties and responsibilities:

- a) 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, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- b) Evaluates all material RPTs to ensure that these are not undertaken on more favorable 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 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 company and interest in the transaction;

³⁸ By-Laws, Article V, Section 7.

2. The material facts of the proposed 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 company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- c) 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 conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing materials conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
 - d) 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;
 - e) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
 - f) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

ARTICLE III

MANAGEMENT

1. General Responsibilities of Management

- a) Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets.³⁹ It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with information technology strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.
- b) Management is primarily accountable to the Board of Directors for the operations of the Corporation. As part of its accountability, it shall inform the Board regularly, promptly and comprehensively about any issues concerning the Corporation's strategy, risk management and compliance.⁴⁰ Management shall likewise regularly update the Board of the implementation of the Corporation's strategy and explain variances from the approved plans and targets.
- c) Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

³⁹ Berlin Initiative German Code of Corporate Governance.

⁴⁰ SEC Memorandum Circular No. 2, Series of 2002

- c.1) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- c.2) An effective system of internal control that will ensure integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders should be maintained;
- c.3) On the basis of the approved audit plans, internal audit examination should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operations information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules, and regulations;
- c.4) The Corporation should consistently comply with the financial reporting requirements of the Commission;
- c.5) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partners of the external auditing firm assigned to the Corporation.

2. Executive Officers of the Corporation

The Chairman and the Vice-Chairman of the Board of Directors, the Chairman and other members of the Executive Committee, the Chief Executive Officer, the Chief Operating Officer, the President, the Executive Vice Presidents, the Senior Vice President, the Treasurer, the Assistant Treasurers, and the Secretary and the Assistant Secretaries are officers of the Corporation.⁴¹

- 3. The roles of the Chairman and the Chief Executive Officer ("CEO") shall be separate to foster an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. A clear delineation of functions between the Chairman and CEO are included in this Manual.

a) Chairman of the Board

The Chairman of the Board, shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall –

- i. 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;
- ii. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- iii. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- iv. Ensure that the Board sufficiently challenges and inquiries on reports submitted and representations made by Management;
- v. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and

⁴¹ By-Laws, Article VI.

- vi. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

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

b) **Vice-Chairman**

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

c) **CEO**

The Chief Executive Officer (CEO) shall have the following responsibilities:

- i. Determines the corporation's strategic direction and formulates its strategic plan on the direction of the business;
- ii. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- iii. Provides the Board with timely information and interfaces between the Board and the employees;
- iv. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- v. Directs, evaluates and guides the work of the key officers of the corporation;
- vi. Serves as the link between internal operations and external stakeholders.

d) **President and Chief Operating Officer**

In addition to the duties imposed on the President and COO by the Board of Directors, the President and COO shall –

- i. Oversees the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;
- ii. Translate the company's vision and strategy into action plans that describe the activities people perform to carry out the strategy and achieve the vision;
- iii. Develop measures and key performance indicators to monitor company operations;
- iv. Manages the corporation's resources prudently and ensures a proper balance of the same;
- v. Build the corporate culture and motivates the employees of the corporation.

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

e) **The Treasurer**

The Treasurer of the Corporation shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

- i. Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may, from time to time, designate;

- ii. Regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- iii. Ensure funds availability on a timely basis and at the most economical means;
- iv. Optimize yields in temporary excess funds;
- v. Provide relevant and timely capital market information;
- vi. Ensure appropriate coverage and management of risk to resources.

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

f) The CFO

The CFO shall be the appointed by the Board of Directors. The CFO, who may also be the Treasurer of the Corporation, shall be responsible for the following:

- i. Provide Management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- ii. Maintain the integrity of accounting records as the basis of financial statements and reports provided to Management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- iii. Promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with;
- iv. Strengthen Internal Control by monitoring compliance with policies; recommend to Management appropriate actions and changes in systems and procedures as necessitated by circumstances.

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

g) The Corporate Secretary

The Corporate Secretary shall be a resident and citizen of the Philippines. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have some financial and accounting knowledge.⁴²

The Corporate Secretary shall have the following functions:⁴³

- i. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;

⁴² SEC Memorandum Circular No. 2, Series of 2002, Article II (10).

⁴³ SEC Memorandum Circular No. 19, Series of 2016, Recommendation 1.5

- ii. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation.
- iii. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and its committees, and the Board and its stakeholders, including shareholders.
- iv. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- v. Advises on the establishment of board committees and their terms of reference;
- vi. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- vii. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- viii. Performs required administrative functions;
- ix. Oversees the drafting of the by-laws and ensures that they confirm with regulatory requirements; and
- x. Performs such other duties and responsibilities as may be provided by the SEC.

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

The Board shall have separate and independent access to the Corporate Secretary.⁴⁴

ARTICLE IV

GOVERNANCE POLICY ON CONFLICT OF INTEREST

Directors, officers and employees shall always advance the interest of the Corporation over their personal interests. They are required to be loyal to the Corporation so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and other stakeholders and the Corporation without regard to their own personal interests.⁴⁵

- a) A conflict of interest exists when a director or an officer of the Corporation –
 - i. supplies or is attempting or applying to supply goods or services to the Corporation;
 - ii. supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
 - iii. acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
 - iv. accepts gifts or invitations of any form from the supplier, customer or business partner of the Corporation, or from any third person or entity with existing or

⁴⁴ SEC Memorandum Circular No. 6, Series of 2009, Article 4.

⁴⁵ Canlas, Handbook on Stock, Stockholders and Directors

intended business dealings with Corporation, except when the gift or invitation is directly attributable to purely familial or personal relationships, only of nominal value, or simple promotional item or is part of the supplier's public relations program or part of business meetings or discussions;

- v. Engages in a business or activity which competes with or works contrary to the best interests of the Corporation.
 - vi. Uses material company information of which they may have knowledge and/or access by reason of their office in, or employment with, the Corporation to their personal advantage or the advantage of any third party to the prejudice of the Corporation;
- b) If an actual or potential conflict of interest should arise on the part of Directors, the concerned Director shall not participate in the discussion of, and vote on, the matter where he is in conflict of interest.⁴⁶ A Director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
- c) A contract of the Corporation with one or more of its directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present⁴⁷:
- i. the presence of such director in the Board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
 - ii. the vote of such director was not necessary for the approval of the contract;
 - iii. the contract is fair and reasonable under the circumstances; and
 - iv. in case of an officer, the contract has been previously approved by the Board of Directors.

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

- d) Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.⁴⁸
- e) Director, officers and employees who have personal or pecuniary interest on any enterprise with which the Corporation has an existing or intended transaction shall fully disclose relevant facts of the situation to the Chairman of the Board in the case of the Directors, President and CEO, to the President in case of the Managing Directors, and to the Group Head and Unit Heads in the case of employees. All disclosures shall be submitted to the Managing Director for Human Resources. Any information disclosed under this rule shall be treated confidential except to the extent necessary to evaluate the situation and pre-empt the conflict of interest. The disclosure requirement provided above shall apply to transactions between the Corporation and any enterprise owned

⁴⁶ ACGS, B.4.3.

⁴⁷ Corporation Code, Section 32.

⁴⁸ Corporation Code, Section 34.

by, or in which there is pecuniary interest in the part of, any family or close personal relations of the Directors, officers and employees.

- f) When the gift does not fall under any of the conditions set under item a (iv) above, the Director, officer or employee concerned are encouraged to turn over the gift to HR for inclusion in the Corporation's Christmas party raffle;
- g) Directors, officers and employees must immediately report any offer or gift of any value given to them or their immediate family with a view to get favors or to influence business recommendations, proposals, or decisions affecting the Corporation or any of its related companies. The report shall be made to the Chairman of the Board in the case of the Directors, President and CEO, to the President in case of the Managing Directors, and to the Group Head and Unit Heads in the case of employees. All disclosures shall be submitted to the Managing Director for Human Resources;
- h) The foregoing is without prejudice to the Corporation's existing Code of Conduct and Ethics for Directors, officers and employees.

ARTICLE V

AUDIT, COMPLIANCE AND RISK MANAGEMENT

1. Internal Audit

- a) The Internal Audit Group shall provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the Corporation's operations. It shall provide the Board, Management, the stockholders and other stakeholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with.⁴⁹ It shall review, audit and report on, among other matters, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the 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.
- b) The Internal Audit Group shall performs its auditing functions faithfully by maintaining independence from the Management and controlling shareholders.
- c) The Internal Audit Group shall be headed by a Chief Audit Executive. The Chief Audit Executive shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report to the Audit and Risk Committee of the Board of Directors.
- d) The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing. Otherwise, the Chief Audit Executive shall disclose to the Board and the Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.⁵⁰
- e) The following are the functions of the internal audit, among others:
 - (i) Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4)

⁴⁹ SEC Memorandum Circular No. 6, Series of 2009, Article 3(H)(iii).

⁵⁰ SEC Memorandum Circular No. 2, Series of 2002, Article IV (1)(f).

coordinating the activities and information among the Board, external and internal auditors, and Management;

- (ii) Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- (iii) Performs consulting and advisory services related to governance and control as appropriate for the organization;
- (iv) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- (v) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- (vi) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- (vii) Evaluates specific operations at the request of the Board or Management, as appropriate; and
- (viii) Monitors and evaluates governance processes.

2. External Audit

- a) The Board, through the Audit and Risk Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.⁵¹
- b) The External Auditor shall –
 - i. perform fair audits independently from the Corporation, its Management and controlling shareholders, so that stockholders and other users may maintain confidence in the Corporation's accounting information;
 - ii. check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 - iii. attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
 - iv. perform such other functions as may be approved by the Board in its engagement of the auditor, *provided, however*, that Non-Audit Work shall not be in conflict with the functions of the auditor as external auditor.
- c) The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.
- d) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of

⁵¹ ACGS, E.2.30.

the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

- e) If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.⁵²

3. Compliance System

To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall have a rank of Senior Vice President or an equivalent position.

The Compliance Officer shall perform the following duties:

- a) Ensure proper onboarding of new directors (i.e. orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b) Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, the CG Code for PLCs rules and regulations and all governance issuances of regulatory agencies;
- c) Report to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d) Ensure the integrity and accuracy of all documentary submissions to regulators;
- e) Appear before the SEC when summoned in relation to compliance with the CG Code for PLCs;
- f) Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- g) Identify possible areas of compliance issues and works towards the resolution of the same;
- h) Ensure the attendance of board members and key officers to relevant trainings;
- i) Issue an Annual Corporate Governance Report (ACGR) that is duly signed by the Chairman and Chief Executive Officer, the President and Chief Operating Officer, and two independent Directors of the Company every five (5) years;⁵³
- j) Issue a Consolidated Changes in the ACGR that is duly approved by the Board of Directors yearly;⁵⁴
- k) Provide the Commission at the end of every fiscal year with a sworn certification that the requirement for Independent Directors and their attendance at meetings in accordance with SEC II (7) of SEC Memorandum Circular No. 2 has been complied with. The said certification may be submitted with the Corporation's current report (SEC Form 17-C) or on a separate filing;
- l) Identify, monitor and control compliance risks; and
- m) Perform such other duties and responsibilities as may be provided by the SEC.

⁵² SEC Memorandum Circular No. 2, Series of 2002

⁵³ SEC Memorandum Circular No. 5, Series of 2013 and SEC Memorandum Circular No. 12, Series of 2014.

⁵⁴ SEC Memorandum Circular No. 12, Series of 2014

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

ARTICLE VI

DISCLOSURE AND TRANSPARENCY

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

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest of the stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.⁵⁵

The directors and officers shall therefore commit at all times to full disclosure of material information dealings and any dealings in the company's shares within three business days. It shall cause the filing all required information through the appropriate Exchange mechanisms for listed companies and submission to the Commission for the interest of its stockholders and other stakeholders.⁵⁶

The Corporation shall 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 of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.⁵⁷

The Corporation includes media and analysts' briefing as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

ARTICLE VII

COMMUNICATION AND INFORMATION

1. Management's Responsibility for Information

- a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:
 - a.1) Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
 - a.2) Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
 - a.3) Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;

⁵⁵ SEC Revised Code of Governance, Article 8.

⁵⁶ SEC Memorandum Circular No. 9, series of 2014.

⁵⁷ SEC Memorandum Circular No. 19, series of 2016, Recommendation 8.6.

- a.4) Maintain a sound system of internal control to safeguard stockholders' and other stakeholders'⁵⁸ investment and the Corporation's assets;
- a.5) Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
- a.6) Require the Chief Audit Executive to render to the Audit and Risk Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit and Risk Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.
- b) Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

2. The Investor Relations Function

There shall be an Investor Relations Division within the Corporation, which shall be tasked with --

- i. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;
- ii. Formulation of a clear policy on communicating or relating relevant information to the Corporation's stockholders and other stakeholders⁵⁹ and to the broader investor community accurately, effectively and sufficiently;
- iii. Preparation of disclosure documents to the Commission and the Philippine Stock Exchange, and
- iv. Dissemination of this Manual and the conduct of an orientation program for the Board and Management.

The Investor Relations Division shall report to the CFO who shall act as the Chief Information Officer of the Corporation for purposes of reporting and disclosures to the Commission and PSE.

3. Communication of this Manual

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

⁵⁸ SEC Memorandum Circular No. 9, series of 2014.

⁵⁹ SEC Memorandum Circular No. 9, series of 2014.

ARTICLE VIII

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

1. Stockholder Rights

The Board shall promote shareholders' rights, remove impediments to the exercise of shareholders' rights and provide effective 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.

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

a) Voting Right

All stockholders, including minority shareholders, have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

A shareholder may submit written nominations to the Corporate Governance and Nomination Committee at least thirty (30) business days before the next annual meeting of the stockholders. Nominees will be evaluated by the Corporate Governance and Nomination Committee which shall determine whether the nominees have all the qualifications and none of the disqualifications to serve as member of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the Corporation's website for examination by the stockholders.

The Corporation shall allow voting in absentia by sending out to each stockholder ballot with a proxy form, which should be submitted within the prescribed period. The votes in the ballot would be counted even if the stockholder does not attend personally or by proxy.

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

b) Pre-emptive Right

All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

c) Right of Inspection

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

d) Right to Information

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

Statement and Prospectus in case of registration of shares for public offering with the Commission.

The Board shall ensure that Notice of Annual and Special Stockholders' meetings shall be sent to all shareholders at least twenty eight (28) days before the meeting. It shall also make the result of the votes taken during the most recent Annual or Special Stockholders' Meeting publicly available the next working day. Additionally, the Minutes of such meeting shall be available on the Corporation's website within five (5) business days from the end of the meeting.

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

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting; provided always that, this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

e) **Right to Dividends**

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

f) **Appraisal Right**

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

- f.1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- f.2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- f.3) In case of merger or consolidation; and
- f.4) In case of investment of funds in any other corporation or business or for any purpose other than the primary purpose for which the Corporation was organized.

2. Duty of Directors to promote shareholders' rights

It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and provide effective 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 should encourage active shareholder participation by:

- (i) Sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.
- (ii) By making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the company website within five business days from the end of the meeting.

3. Alternative Dispute Resolution Mechanism

Any controversy or claim brought directly by a shareholder of the Corporation against the Corporation or any of its Directors, officers, or agents may be settled by arbitration as provided under the Philippine Alternative Dispute Resolution Act of 2004.

The arbitration shall be conducted in accordance with the Arbitration Rules of the Philippine Dispute Resolution Center, Inc. of the Philippine Chamber of Commerce and Industry (the "Arbitration Rules") then in effect.

The place of arbitration shall be in Metro Manila and the language of arbitration shall be in English.

There shall be three (3) arbitrators (the "Arbitral Tribunal") to be appointed in accordance with the Arbitration Rules.

The parties shall be bound by the award rendered by the Arbitral Tribunal and confirmed by the appropriate Regional Trial Court.

Arbitration shall not be available for disputes involving claims in excess of One Million Pesos (PhP1,000,000.00) or involving the determination of the fair valuation of shares in appraisal proceedings.

ARTICLE IX

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Corporation has been managing its business not only for profit but also keeping in mind its impact – to surrounding environment and people – society as a whole. The Corporation makes sure that its profit marries with a purpose. It focuses on both economic and social benefits – value creation for the communities and other stakeholders of the company. The Corporation embarks on sustainability programs that continuously create shared value (CSV), such as going beyond the usual corporate social responsibility (CSR) projects, its volunteerism and philanthropic projects.

As evidence of its faithful dedication to good governance and corporate social responsibility, the Corporation is implementing its Code of Conduct that focuses on various areas: Labor and Ethics, Environment including greening the manufacturing and supply chain, Health and Safety, and Management System. This is to ensure that working conditions in the company are safe, that workers are treated with respect and dignity and that the manufacturing processes are environmentally and socially responsible. Moreover, the Corporation operates in full compliance with the laws, rules and regulations of the country in which it operates.

ARTICLE X

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

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

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

ARTICLE XI

REVIEW AND AMENDMENT OF MANUAL

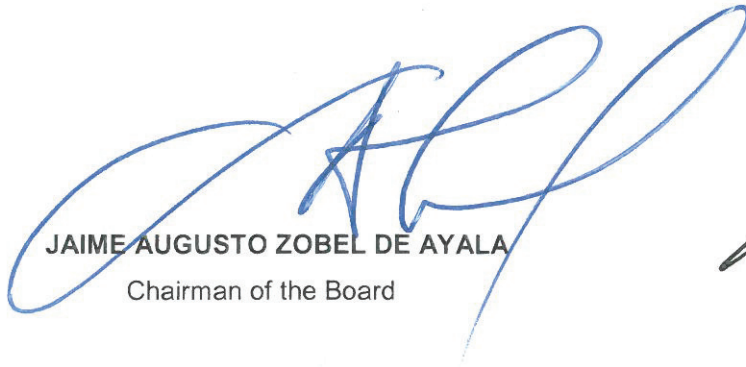
1. The provisions of this Manual and the enforcement thereof shall be subject to quarterly review unless otherwise stated by the Board.
2. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.
3. This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

ARTICLE XI

ADOPTION AND EFFECTIVITY

This Manual was adopted by the Board of Directors of the Corporation on April 8, 2010. It shall be effective on April 15, 2010. Amendments to comply with regulatory issuances of the Securities and Exchange Commission shall be deemed adopted and effective upon effectivity of the regulatory issuance.

Signed on November 26, 2018 by:



JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board



JAIME G. SANCHEZ
Compliance Officer