



## **CORPORATE GOVERNANCE MANUAL CHELSEA LOGISTICS HOLDINGS CORP.**

The Board of Directors, officers, management, executives and employees of **Chelsea Logistics Holdings Corp.** (the "Corporation") hereby commit themselves to comply and observe the fundamental principles of sound corporate governance and best practices contained in this Corporate Governance Manual ("CGM") which are necessary components in the attainment of its corporate goals and enhancing the value of the Corporation to all its stakeholders.

The CGM is adopted pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 6, Series of 2009 (Revised Code of Corporate Governance) issued on July 15, 2009 and SEC Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance for Publicly-Listed Companies), issued on November 22, 2016.

### **DECLARATION OF CORPORATE PRINCIPLES**

The Corporation adheres to the highest standards and principles of Integrity, Excellence, Passion, Enterprise, and Teamwork to serve the best interest of its stakeholders.

The purpose of this CGM is to establish the principles of good corporate governance for the entire Corporation. The best practices are hereby incorporated to further guide the Board of Directors, Management, employees and shareholders in reaching the Corporation's goals.

As the Corporation grows, the CGM shall be regularly reviewed and updated to keep abreast of recent and emerging standards of good corporate governance.

### **CORPORATE GOVERNANCE RULES AND PRINCIPLES**

#### **ARTICLE 1: Definition of Terms**

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

- b) **Board of Directors** - the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
- c) **Exchange** - an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- d) **Management** - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;
- e) **Independent Director** - a person who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director;
- f) **Executive Director** - a Director who has executive responsibility of day-to-day operations of a part or the whole of the organization;
- g) **Non-Executive Director** - a Director who has no executive responsibility and does not perform any work related to the operations of the corporation;
- h) **Non-audit work** - the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
- i) **Internal Control** - a process designed and effected by the Board of Directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures;
- j) **Internal Control System** - the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
- k) **Internal audit** - an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

- l) Internal audit department** - a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operation;
  
- m) Internal Auditor** - the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

## **ARTICLE 2: BOARD GOVERNANCE**

The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, the Board shall provide an independent check on Management.

### **Section 1.0 Composition of the Board**

- 1.1 The Board of Directors shall be composed of nine (9) members who shall be elected by the stockholders at a regular or special meeting in accordance with the Amended By-Laws of the Corporation. The Board shall be composed of Directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry / sector. The Corporation, as far as practicable, shall also have a policy on Board diversity.
  
- 1.2 There shall be at least three (3) Independent Directors who shall be members of the Board of Directors. The Independent Directors shall constitute twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than three (3).

### **Section 2.0 Independent Directors**

#### **2.1 Qualification of Independent Directors**

As a publicly-listed Corporation, the Corporation shall conform with the requirement to have such number of Independent Directors as may be required by law, possessed with such qualifications as may be prescribed by law.

An "Independent Director" is a person who, apart from his fees and shareholdings, which shareholdings does not exceed two percent (2%) of the shares of the Corporation and/or its related companies or any of its substantial shareholders, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of any independent judgment in carrying out his responsibilities as a Director in the Company and includes, among others, any person who:

- a.) Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
- b.) Is not, and has not been in the three years immediately preceding the election, a Director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial shareholders and its related companies;
- 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 others, 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 adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three 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.

"Related Corporation" shall mean (i) the Corporation's holding / parent Company, (ii) its subsidiary(ies), or (iii) a subsidiary(ies) of its holding Corporation, and "substantial shareholder" shall mean any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

The Independent Director shall have the following qualifications:

- (a) He shall have at least one (1) share of stock of the Corporation;
- (b) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the Corporation for at least five (5) years;
- (c) He shall possess integrity/probity; and
- (d) He shall be assiduous.

2.2 The Board shall designate a lead Director among the Independent Directors if the Chairman of the Board is not independent, including if the positions of Chairman of the Board and Chief Executive Officer are held by one person. The functions of the lead Independent Director include, among others, the following:

- (a) Serves as an intermediary between the Chairman and the other Directors when necessary;
- (b) Convenes and chairs meetings of the non-executive Directors; and
- (c) Contributes to the performance evaluation of the Chairman, as required.

2.3 Independent Directors should, as much as possible, be in attendance during Board meetings to promote transparency. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meeting.

### **Section 3.0 Duties and Responsibilities of the Board**

#### **3.1 General Responsibility**

It is 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 interest of its stockholders and other stakeholders.

### **3.2 Duties and Functions**

Corporate powers and governance of the entire Corporation shall be exercised, all business conducted and all properties of the Corporation controlled and held by the Board of Directors to be elected by and from among the stockholders.

The Director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity and fairness.

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- a. Foster the long term success of the Corporation, and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders;
- b. Establish the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the mechanisms for effective monitoring of the Management's performance;
- c. Implement a process for the selection of Directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- d. Appoint competent, professional, honest and highly-motivated management officers and adopt an effective succession planning program for management;
- e. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.
- f. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures;
- g. Establish programs that can sustain its long-term viability and strength;
- h. Evaluate and monitor periodically the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;

- i. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices;
- j. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO or CFO shall exercise oversight responsibility over this program;
- k. Adopt a system of checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness;
- l. Identify the key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
- m. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions 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 of interlocking director relationship by members of the Board;
- n. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- o. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders and the Corporation and third parties, including the regulatory authorities;
- p. From time to time, to make and change rules and regulations not inconsistent with this Manual for the management of the Corporation's business and affairs;
- q. To purchase, receive, take or otherwise acquire for and in the name of the Corporation, any and all properties, rights, or privileges, including securities and bonds of other Companies, for such consideration and upon such terms and conditions as the Board of Directors may deem proper or convenient;
- r. To invest the funds of the Corporation in other companies or for purposes other than those for which the Corporation was organized, subject to such stockholders' approval as may be required by law;
- s. To incur such indebtedness as the Board of Directors may deem necessary, to issue evidence of indebtedness, including without limitation, notes, deeds of

trust, bonds, debentures, or securities, subject to such stockholders' approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the Corporation;

- t. To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the Corporation;
- u. To prosecute, maintain, defend, compromise or abandon any lawsuit in which the Corporation or its officer are either plaintiffs or defendants in connection with the business of the Corporation;
- v. To select and appoint the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Finance Officer ("CFO") and other senior officers of the Corporation. The executive officers shall have the requisite maturity, motivation, integrity, competence and professionalism necessary to effectively perform their duties and responsibilities to the Corporation. Adopt a professional development program for employees and officers.
- w. Provide strategies and general policies to ensure not only the survival, but the growth and success of the Corporation. It must periodically evaluate and monitor implementation of such strategies and policies, business plans and operating budgets as well as Management's over-all performance to ensure optimum results.
- x. To delegate, from time to time, any of the powers of the Board of Directors which may lawfully be delegated in the course of the current business of the Corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the Corporation with such powers and upon such terms as may be deemed fit;
- y. Establish a policy on communicating or relating with stockholders and other stakeholders of the Corporation through an effective investor relations program;
- z. Meet at least once every quarter if monthly regular meetings are not possible. All such meetings should be duly minuted. Independent view are encouraged and given due consideration;
- aa. Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws, and in accordance with existing laws, rules and regulations;
- bb. Attend an annual training for all directors for corporate governance, including an orientation program for first-time directors.



### **3.2 CHAIRMAN OF THE BOARD**

The responsibilities of the Chairman in relation to the Board shall include, among others, the following:

- a.) Makes 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;
- b.) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c.) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d.) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e.) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f.) Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

If the positions of Chairman and Chief Executive Officer (CEO) are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman must appoint a lead Director from among the Independent Directors to temporarily preside in the meeting to ensure the independence of the Board.

### **3.3 Internal Controls of the Corporation**

- a. The internal controls of the Corporation consists of:
  - i. The Board which ensures that the Corporation is properly managed and effectively supervised;
  - ii. The Management that actively manages and operates the Corporation in a sound and prudent manner;
  - iii. The organizational and procedural controls supported by effective management information reporting systems; and

- iv. An independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's financial reporting, governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, confidential information and compliance with laws, rules, regulations and contracts.
- b. The Board's internal control mechanisms for the Board's oversight responsibility may include:
- i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;
  - ii. Selection and approval of a CEO who possesses the ability, competence, vision, integrity, experience and expertise essential for the position;
  - iii. Establishment by the Corporation of an internal audit system that can reasonably assure the Board, Management, and stockholders that the Corporation's key organizational and operational controls are appropriate, adequate, effective and complied with;
  - iv. Selection and appointment of proposed senior management officers;
  - v. Ensuring the selection, appointment and retention of qualified and competent management;
  - vi. Review of the Corporation's personnel and human resource policies and sufficiency, conflict of interest situations, changes in the compensation plan for employees and succession plan for officers and management.
- c. The minimum internal control mechanisms for Management's operational responsibility would center on the CEO, being ultimately accountable for the Corporation's organizational procedural controls.
- d. The Corporation may have in place a comptroller or any other officer designated by the Board, or the Audit Committee through which the Board, senior management and stockholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

### **3.4 Board Meetings and Quorum Requirement.**

- (a) Directors should attend meetings of the Board in person, or by use of modern technology through teleconference devices.

- (b) The Independent Directors should endeavor to attend all Board meetings. However, the absence of an Independent Director shall not affect the quorum requirements if he is duly notified of the meeting and fails to attend the same, or if the Independent Director resigns or ceases to be an Independent Director pending the appointment of or election of his replacement.
- (c) The Corporation may at the end of every fiscal year, provide the Commission with a sworn certification that the foregoing requirement has been complied with. The said certification may be submitted with the Corporation's current report (SEC Form 17-1) in a separate filing.

#### **Section 4.0 Qualifications of Directors**

- a. A Director of the Corporation must have at least one (1) share under his name in the corporate books. He must have all the qualifications and none of the disqualifications of a Director.
- b. Majority of the members of the Board of Directors must be Filipino citizens and residents of the Republic of the Philippines.
- c. A Director shall, before assuming office, attend a seminar on corporate governance conducted by a duly recognized private or government institution.

#### **Section 5.0 Disqualification of Director**

##### **5.1 Permanent Disqualification**

A Director must **not** have the following disqualifications:

- a. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final and executory judgment, decree or order issued by a judicial or an administrative body having competent jurisdiction or the SEC:
  - 1) An offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
  - 2) Any crime that:
    - i. Involves the purchase or sale of securities, as defined in the Securities Regulation Code;

- ii. Arises out of the person's conduct as an underwriter, broker, dealer, investment, adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or
    - iii. Arises out of his fiduciary relationship with a bank, quasi bank, trust company, investment house, or an affiliated person of any of them;
  - 3). Having willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any law administrative by the SEC or BSP, or any of its rule, regulation or order;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of SEC or any court or administrative body of competent jurisdiction from:
- 1) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
  - 2) acting as director, or officer of a bank, quasi-bank, trust company, investment house or investment company;
  - 3) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub paragraphs 1 and 2 above;

The disqualification shall also apply if such person:

- 1) is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; or
  - 2) has otherwise been restrained to engage in any activity involving securities and banking; or
  - 3) is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the said organization;
- c. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs (a) and (b) above;

- d. Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;
- e. Any person judicially declared to be insolvent.
- f. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.

## 5.2 Temporary Disqualification

A Director may be temporarily disqualified from being a Director in the Corporation for the following reasons:

- a. Refusal to disclose the extent of his business interest as may be required under the Securities Regulations Code and its implementing rules.
- b. Habitual unexcused absences for more than fifty percent (50%) of the meetings, regular or special, of the Board of Directors during his term or any immediate preceding twelve (12) months.
- c. Dismissal/termination from directorship in another listed corporation for irregularity, fraud or other valid causes. This disqualification shall be in effect until such person has cleared himself of any involvement in the alleged fraud, irregularity and other valid causes for termination or such cause that does not apply to the Corporation such as conflict of interest.
- d. Being a Director or officer or substantial stockholder of a Corporation or business that directly or indirectly in competition with the business of the Corporation, as determined by the Board.
- e. An Independent Director, who ceases to be an independent director as defined by law because of his employment in the Corporation or his ownership of more than two percent (2%) of the outstanding shares of the Corporation, shall cease to be an Independent Director in the Corporation.

## Section 6.0 Duties and Responsibilities of a Director

A Director's office is one of trust and confidence. A Director should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

A Director shall have the following duties and responsibilities:

- (a) A Director owes obedience, loyalty and diligence to the Corporation. Obedience imposes on the Directors the obligation to act only within the corporate powers

of the Corporation as defined under its Articles of Incorporation and By-laws, the Corporation Code and all other applicable laws. Directors should manage the Corporation with diligence, care and prudence. They cannot be held liable for mistakes and errors in the exercise of their business judgment when they act in good faith and with due care and prudence.

- (b) A Director has a fiduciary relationship to the Corporation and its stockholders. His duty to be loyal requires him to act in the best interest of the Corporation, and prevents him from acquiring for himself a business opportunity which belongs to the Corporation.
- (c) The Directors shall keep themselves sufficiently informed about the general condition of the business and manner in which it is being conducted, so that they may become aware of the difficulties and problems that must be met and solved by the Corporation.
- (d) A Director must conduct fair business transactions for the Corporation and to ensure that his personal interest does not influence Board decisions.
- (e) A Director must attend meetings regularly and devote time and attention necessary to properly discharge his duties and responsibilities.
- (f) A Director must act judiciously and exercise independent judgment.
- (g) A Director must have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of SEC and, where applicable, the requirements of relevant regulatory agencies.
- (h) A Director must observe confidentiality of information.

#### **Section 7.0 Remuneration of Directors and Officers**

- (a) Levels of remuneration shall be sufficient to attract and retain the Directors and officers needed to run the Corporation successfully. A proportion of executive directors' or officers' remuneration may be structured so as to link rewards to corporate and individual performance.
- (b) The Board may establish a formal procedure for developing a policy on executive remuneration and for fixing the remuneration packages of Individual Directors and officers.
- (c) The Corporation's annual reports, information, and proxy statements shall, in accordance with applicable disclosure regulations, include a disclosure of all compensation, awarded to, earned by, paid to, or estimated to be paid to, directly to all individuals serving as the CEO or acting in a similar capacity during

the last completed fiscal year, regardless of the compensation level and the Corporation's four (4) most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed year, consistent with the policies of the SEC.

## **Section 8.0 Board Committees**

The Board shall constitute the proper committees to assist it in good corporate governance

### **8.1 Executive Committee**

The Executive Committee shall be composed of three (3) members to be determined and appointed by the Board of Directors.

The Executive Committee established in accordance with the By-laws may act by majority vote of all of its members, on matters within the competence of the Board, except as specifically limited by law or by the Board of Directors.

During every meeting of the Board of Directors, the Executive Committee shall report in summary form all matters acted upon by it, all of which matters shall be considered ratified unless otherwise expressly revoked.

### **8.2 Nomination Committee**

The Board shall form a Nomination Committee composed of at least three (3) members of the Board, one of whom must be an Independent Director.

The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board, including Independent Directors, and as well as those nominated to other positions requiring appointment by the Board.

Nominations shall be received by the Nominations Committee through the Chairman of the Board of Directors (which nominations may be sent to such Chairman in care of the Secretary of the Corporation) as soon as the Board of Directors declares the positions open.

Each nomination shall set forth (i) the name, age, business address, if known, home address of each nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stocks of the Corporation which are beneficially owned by each nominee, (iv) past and present positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonable requested by the Corporation.

The Nominations Committee shall recommend the qualified nominees for election and the Board, by a majority vote may, elect the rightful nominee.

The Board, by a vote of majority, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine the defective nomination and the nomination of a disqualified person shall be disregarded.

The decision of the Nomination Committee as to the nominees to the Board of Directors, once confirmed by the Board of Directors, shall be final and binding upon the shareholders and may no longer be raised during the stockholder's meeting.

### **8.3 Audit Committee**

The Audit Committee shall be composed of at least three (3) Board members, preferably with accounting and finance background, one of whom shall be an independent director and another should have related audit experience or adequate understanding at least of the Corporation's financial management systems and environment. The Chair of the Audit Committee should be an independent director.

It shall have the following functions:

- a. Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. 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;
- c. 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;
- d. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;



e. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;

f. 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;

g. 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 (as defined under the Code of Ethics for Professional Accountants). The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

h. 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

i. Reviews the disposition of the recommendations in the External Auditor's management letter;

j. 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;

k. Coordinates, monitors and facilitates compliance with laws, rules and regulations; and

l. 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.

#### **8.4 Corporate Governance Committee**

The Corporate Governance Committee shall be composed of at least three (3) members, all of whom should be Independent Directors, including the Chairman.

The Corporate Governance Committee shall have the following duties and functions, among others:

- 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;
- 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 continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

#### **8.5 Board Risk Oversight Committee**

The Board Risk Oversight Committee (BROC) shall be composed of at least three (3) members, majority of whom should be Independent Directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other

committee. At least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.

The Committee has the following duties and responsibilities:

- a. 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;
- b. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC 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;
- d. Advises the Board on its risk appetite levels and risk tolerance limits;
- e. 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;
- f. 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;
- g. 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
- h. 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.

## 8.6 Related Party Transaction Committee

The Related Party Transaction Committee shall be composed of at least three (3) non-executive Directors, two of whom should be independent, including the Chairman. The Committee shall have the following functions:

- 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 economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
  - i. The related party's relationship to the company and interest in the transaction;
  - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - iii. The benefits to the corporation of the proposed RPT;
  - iv. The availability of other sources of comparable products or services; and
  - v. 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 material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
- 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.

### **Section 9.0 Chief Executive Officer (CEO)**

The CEO shall be in charge of the management and administration of the business operations, affairs and properties of the Company. He shall ensure that all resolutions of the Board are carried into effect and see that the business and affairs of the Company are managed in a sound and prudent manner. He shall ensure reliability and integrity of financial and operational information and effectiveness, as well as, the efficiency of operations.

The Chief Executive Officer shall also perform the functions provided for by the By-laws of the Corporation.

The CEO shall report to the Board, from time to time, all matters within his knowledge in which the Company has material interest.

### **Section 10.0 Other Executive Officers**

The COO, CFO and other officers shall have the qualifications, duties and responsibilities specified in the By-laws of the Corporation, or as may be specified or designated by the Board of Directors, or by the Chairman and CEO. All Officers of the Corporation shall familiarize themselves with and shall comply with their duties and responsibilities under this Manual.

### **Section 11.0 The Corporate Secretary**

The Corporate Secretary is an officer of the Company and is expected to observe the highest degree of professionalism, integrity and shall have the qualifications, duties and responsibilities specified in the By-laws of the Corporation, or as may further be specified or designated by the Board of Directors.

#### **11.1 Qualifications of the Corporate Secretary**

- a. The Corporate Secretary should be a resident Filipino citizen and of good moral character;
- b. He should have appropriate administrative and interpersonal skills.

## **11.2 Duties and Responsibilities of the Corporate Secretary**

The Secretary must be a separate individual from the Compliance Officer, should not be a member of the Board of Directors, and should annually attend a training on corporate governance. The Secretary has, among others, the following duties and responsibilities:

- a. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b. 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;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- d. 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;
- e. Advises on the establishment of board committees and their terms of reference;
- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. 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;
- h. Performs required administrative functions;
- i. Oversees the drafting of the By-Laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC.

## **SECTION 12.0 Compliance Officer**

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

on corporate governance. He/ she has, among others, the following duties and responsibilities:

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

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

### **Section 13.0 External Auditor**

The Board after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC. At the regular stockholder's meeting, the external auditor of the Corporation for the ensuing year shall be appointed.

The External Auditor shall undertake to an independent audit of the Corporation and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The External Auditor shall examine, verify and report on the earnings and expenses of the Corporation. The External Auditor shall not, at the same time, provide internal audit services to the corporation. Non audit-work may be given to the External Auditor

provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

If the External Auditor believes that any statement made in an annual report, information statement or any report filed with the SEC and PSE during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said report.

The Corporation's External Auditor should be rotated or the handling partner should be changed every five (5) years or earlier.

If the External Auditor resigns, is dismissed or ceased to perform his services, the reason(s) for the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the Corporation on accounting principles and practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the External Auditor before his submission.

#### **Section 14.0 Internal Auditor**

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or an internal audit organization, through which its Board, senior management and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

The Internal Auditor should certify that the conduct of internal audit activities is in accordance with the International Standards for Professional Practice of Internal Auditing.

The Internal Auditor should submit to the Audit Committee and Management, an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be deemed necessary or requested by the Board and Management.

#### **Section 14.0 Chief Audit Executive**

The Chief Audit Executive, who is appointed by the Board, shall oversee and be responsible for the internal audit activity of the Corporation, including that portion that is outsourced to a third party service provider. The Chief Audit Executive has the following responsibilities, among others:



- a. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve other internal processes.

#### **Section 15.0 Chief Risk Officer**

The Chief Risk Officer has the following responsibilities, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates the top risks and status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:
  - Risk management processes are performing as intended
  - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - Established risk policies and procedures are being complied with.

### **Article 3.      SUPPLY OF INFORMATION**

All Directors should be provided with complete, adequate and timely information about matters to be taken up in their meetings and which would enable them to discharge their duties.

Management shall have an obligation to supply the Board with complete, adequate information in a timely manner. The Board shall have separate and independent access to the senior management of the Corporation.

Directors shall also have a separate and independent access to the Corporate Secretary.

Directors should have a procedure for Directors, either individually or as a group in the furtherance of their duties, to take independent professional advice concerning matters pending before the Board, if necessary, at the Corporation's expense.

### **Article 4.      ACCOUNTABILITY AND AUDIT**

The Board is primarily accountable to the shareholders and Management is primarily accountable to the Board. The Board should provide the shareholders with a fair, balanced and comprehensive assessment of the Corporation's performance position and prospects on a quarterly basis including interim and other reports that could adversely affect its business as well as reports to SEC and PSE that are required by the law. It is essential that Management should provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to its stockholders.

Management should formulate, under the supervision of the Audit Committee, the rules and procedure on financial reporting and internal control should be in accordance with the following guidelines:

- i. The extent of its responsibility in the preparation of the financial statements of the Corporation, with corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- ii. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders;
- iii. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's financial reporting, governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;

- iv. The Corporation should consistently comply with the financial reporting requirements of the SEC.
- v. Present a fair assessment of the Corporation's financial position and prospects;
- vi. Explain the responsibility for preparing the accounts, for which there should be statement by the auditors about their reporting responsibilities;
- vii. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- viii. Maintain a sound system of internal control to safeguard stakeholders' investment and the Corporation's assets;

**Article 5. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDER'S INTEREST**

The Board shall respect the rights of the stockholders as provided in the Corporation Code, namely:

**Section 1.0 Voting Rights**

- 1.1 Shareholders have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code, and the By-Laws.
- 1.2 Cumulative voting shall be allowed in the election of Directors.
- 1.3 Although Directors may be removed with or without cause, the Corporation Code prohibits removal without cause if it will deny minority shareholders representation in the Board.

**Section 2.0 Pre-emptive Rights**

All stockholders have pre-emptive rights to subscribe to new shares issued by the Corporation, except when the Corporation issues shares (a) to satisfy the conversion rights of convertible promissory notes, bonds, or other securities which may be issued by the Corporation with express right of conversion into shares of stock, or (b) to raise funds to redeem or pay such convertible promissory notes, bonds or other securities of the Corporation.

**Section 3.0 Power of Inspection**

Shareholders are allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code.

They shall be provided with a copy of the annual report, including financial statements, without cost or restrictions in accordance with law.

#### **Section 4.0 Right to Information**

- 4.1 The Shareholders shall be provided, upon request, with 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, as may be required by law and applicable disclosure rules.
- 4.2 The minority shareholders have the same right of information as other shareholders of the Corporation. They should be granted the right to propose the holding of a meeting, and the right to propose the holding of a meeting, and the right to propose the items in the agenda of the meeting, provided the items are for legitimate business purposes, in accordance with law.

#### **Section 5.0 Right to Dividends**

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

#### **Section 6.0 Appraisal Right**

Section 82 of the Corporation Code allows the exercise of the Shareholder's appraisal rights under the following circumstances:

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

- c. In case of merger or consolidation.

### **Section 7.0 Promotion of Shareholders' Rights**

The Board shall promote shareholders' rights in accordance with law, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective act on problems through appropriate mechanisms in accordance with law. They shall remove excessive costs and other administrative or practical impediments to shareholders' participation in meetings and/or voting in person. The Board shall allow the electronic filing and distribution of shareholder information necessary to make informed decisions as may be allowed by law.

### **Section 8.0 Right to Transparent and Fair Conduct of Stockholders' Meeting**

- 8.1 The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in stockholders' favor.
- 8.2 The Board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval.
- 8.3 Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

### **Article 6. EVALUATION AND MONITORING SYSTEM**

- 6.1 All Directors and executives are tasked to ensure the thorough dissemination of this CGM to all employees and related third parties and to likewise enjoin compliance in the process.
- 6.2 An adequate number of printed copies of this CGM must be reproduced and distributed to each department of the Corporation.
- 6.3 Allocate funds for the purpose of conducting an orientation program or workshop to implement the CGM.

- 6.4 The Board may establish an evaluation system to determine and measure compliance with this CGM with criteria provided in this CGM and other rules and regulations on good governance and provide for sanctions for breach of this Manual depending on gravity of the violation.
- 6.5 The establishment of such evaluation system, including the features thereof, may be disclosed in the annual report (SEC Form 17-A), or in such other appropriate form of report. The adoption of such performance evaluation system shall be covered by a Board resolution.

This CGM shall be subject to periodic review as may be provided by the Board.

#### **Article 7. 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 of interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings result, acquisition or disposition of assets, off-balance sheet transactions and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through SEC and PSE.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

#### **Article 8. COMMITMENTS TO GOOD CORPORATE GOVERNANCE**

The Corporation shall establish and implement their corporate governance rules in accordance with the Code. The rules shall be embodied in a manual that can be used as reference by the members of the Board and Management.

The Chairman of the Board shall be specifically tasked with the responsibility of ensuring adherence to the corporate governance code and practices.

The Corporation shall conduct information campaigns, orientation program or workshops on Corporate Governance under this Manual to its directors, officers and employees.

The CGM shall be made available for inspection by any stockholder at reasonable hours on business days.

**Article 9.      APPLICABILITY TO SUBSIDIARIES**

Subsidiaries of the Corporation are encouraged to adopt their own Manual of Corporate Governance.

**Article 10.      QUALIFICATION**

Nothing in this Manual shall be interpreted:

- i.      to compel any act which will constitute a violation of law, regulation or contract applicable to the Corporation (including laws against unfair discrimination, confidentiality agreements, and privacy statute).
- ii.     To violate the Corporation’s right to maintain the confidentiality of propriety information, trade secrets, and other information, the premature disclosure of which will prejudice the legitimate interest of the Corporation.
- iii.    To violate the Corporation Code, including the rights of minority directors, and minority shareholders.

**Article 11.      SEPARABILITY CLAUSE**

The Board endeavors to comply at all times the principles set out in this CGM. In case of conflict between the Code of Corporate Governance issued by the SEC and this CGM, the Code shall prevail. If the conflict is such that the affected provision of this CGM is rendered invalid, the rest of the provisions of this Revised Manual shall remain valid.

**Article 12.      EFFECTIVITY**

This CGM was approved on 27 March 2017 by the Board of Directors. It shall be published in the Website of the Company and shall take effect on 3 April 2017.

Signed: 

**DENNIS A. UY**  
Chairman of the Board

  
**CHRYSS ALFONSUS V. DAMUY**  
President & CEO