

**ANCHOR LAND HOLDINGS, INC.**

**Revised Manual on  
Corporate Governance**

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## **REVISED MANUAL ON CORPORATE GOVERNANCE**

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ANCHOR LAND HOLDINGS, INC. (“ALHI” or the “Company”) is an organization committed to high standards of corporate governance in discharging its obligations to ensure an orderly and fair market, to act in the interests of the public, and to enhance shareholders’ value. The Company’s Board of Directors (the “Board”) and Management strongly supports the principles of corporate governance and is committed to maintaining the highest standards and best practices within the Company.

The Board of Directors and Management of the Company hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

## MAIN OBJECTIVES

The principal goal of Management and the Board is to create an enduring company in the stock market, one which recognizes the legitimate interest of all its stakeholders and is centered on creating consistent, long-term shareholder value.

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

The Company believes that a high standard of corporate governance practice is fundamental to the Company’s continued success and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

### A. DEFINITIONS

- a) Corporate Governance* – 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;
- 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* – the body 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, apart from his fees and shareholdings, 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 independent judgment in carrying out his responsibilities as a director;

- f) *Executive director*** – a director who is also the head of a department or unit of the corporation or performs any work related to its operation;
- g) *Non-executive director*** – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation;
- 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, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
- i) *Internal control*** – the system established by the Board of Directors and Management for the accomplishment of the corporation’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
- 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 operations;
- 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.

## **B. RULES OF INTERPRETATION**

All references to the masculine gender in the salient provisions of this Code shall likewise cover the feminine gender.

All doubts or questions that may arise in the interpretation or application of this Code shall be resolved in favor of promoting transparency, accountability and fairness to stockholders and investors of the Company.

## **C. Corporate Governance Framework**

### **1. Board of Directors**

All of the corporate powers of the Company shall be exercised by the Board of Directors unless otherwise provided under the law. The Board is the governing body elected by the shareholders that shall have responsibility for the conduct of the business and control of all of the properties of the Company.

As the principal governing body of the Company, it is tasked to cultivate a strong good corporate governance culture in the Company that is anchored on transparency, competent leadership, effective internal controls, and prudent risk management. The Board of Directors shall have eleven (11) members, with the number of independent directors to constitute at least one-third of the members of the Board, but in no case less than three (3).

It shall endeavor to foster the long term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

The Board shall, at all times, encourage inclusivity and diversity in its composition. The Board values difference, promotes equality and is committed to excellence.

#### **1.1 Composition of the Board**

The membership of the Board shall be a combination of executive and non-executive directors (which include independent directors) who shall be elected individually by the shareholders in accordance with the Company's By-Laws.

To promote objective, independent judgment on corporate affairs and provide for check and balance, majority of the Board of Directors shall be comprised of non-executive directors, with the number of independent directors to constitute at least one third of the members of the Board but in no case less than three (3).

The Board shall be composed of directors of proven integrity and having the appropriate mix of core competencies that would be relevant to the Company and help build a sustainable business. The Board shall encourage diversity in its composition as to age, gender, culture, skills, competence and knowledge. It shall endeavor to exercise an objective and independent judgment in the performance of its duties and responsibilities.

## 1.2 Qualifications of a Director

In addition to the qualifications provided in the Corporation Code, Securities Regulation Code and other relevant laws, a Director shall also possess the following qualifications:

- a. Must be at least twenty-one (21) years old and owner of at least one (1) share of the capital stock of the Company;
- b. With a college degree or its equivalent or shall have been engaged or exposed to the general business of the Company for a least five (5) years;
- c. With relevant experience and credentials such as previous business experience in a corporation, membership in good standing in relevant industry and membership in business or professional organizations and practical understanding of the business of the Company and its subsidiaries
- d. With high standards of integrity, probity and assiduousness; and
- e. Has none of the director disqualifications prescribed under the By-Laws, Corporation Code, Securities Regulations Code and its implementing rules, SEC Code of Corporate Governance and such other applicable laws and regulations,

## 1.3 Permanent and Temporary Disqualifications of a Director

In addition to the disqualifications provided in the By-Laws, Corporation Code, Securities Regulation Code and other relevant laws, the following persons shall be permanently disqualified to be elected to the Board:

- a) Any person convicted by final judgment or order by a competent judicial or administrative body of 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 as an affiliated person of any of them;
- b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any

of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person 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 Corporate Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person 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 organization;

- c) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d) Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;
- e) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation;
- f) Any person judicially declared as insolvent;
- g) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (d) above;
- h) 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;
- i) Any person who is engaged in any business which competes with or is antagonistic or harmful to the business of the Corporation, its subsidiaries and affiliates, or where such person is serving as a director, will suffer a serious conflict of interest which adversely affects the business of the Corporation, its subsidiaries and affiliates;
- j) An independent director who has served the maximum cumulative term of 9 years as independent director shall be disqualified from being re-elected as independent director of the Company; and

- k) Any other ground as the Securities and Exchange Commission may hereafter provided.

Unless otherwise decided by the Board, a director may be temporarily disqualified for any of the following reasons:

- a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- c. Dismissal or termination for cause as director of any public or listed corporation. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- d. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. However, the disqualified independent director may run for election as a regular director provided there is a vacancy in the Board.
- e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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, unless otherwise decided by the Board.

#### 1.4 Additional Qualifications of Independent Directors

An Independent Director is one who, apart from his fees and shareholdings, 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 independent judgment in carrying out his responsibilities as a director in the Company and includes, among others, any person who:

- a) Is not a director or officer of the Company or any of its related companies or any of its substantial shareholders except when said directors is an independent director thereof;

- b) has not been employed in any executive capacity by the Company or any of its related companies or any of its substantial shareholders within the last five (5) years;
- c) Has not been appointed in the Company, 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 Company or of its related companies or any of its substantial shareholders; ;
- e) Is not a related to any director, officer, or substantial shareholder of the Company 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 or substantial shareholder of the Company or any of its related companies

or its substantial shareholders pursuant to a Deed of Trust or under any contract or arrangement

- 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, or similar entity as a professional adviser by the Company, or any of its related companies or any of its substantial shareholders within the last five (5) years;
- i) has not engaged and does not engage 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, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions which are conducted at arm’s length and are immaterial or insignificant;

A related company shall mean another company which is its holding company and/ or its subsidiary and/or subsidiary of its holding company.

### 1.5. Board Commitment

The directors shall devote the necessary time and attention for the proper and effective performance of their duties and responsibilities as directors and shall regularly attend and actively participate in the Board and Shareholder meetings.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

The non-executive directors of the Board shall concurrently serve in other directorships up to a maximum of five publicly listed companies to demonstrate their commitment and availability to attend to the affairs of the Company and carry out their duties adequately. All directors shall submit to a low indicative limit on director appointments in other non-listed non-group companies.

### 1.6 General Responsibilities of the Board

The Board shall:

- a. Foster the long-term success of the Company, and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders;
- b. Always act in a manner characterized by transparency, accountability and fairness; and
- c. Formulate the Corporation's vision, mission, strategic objectives, policies and procedures and the means to effectively monitor management's performance.

The Board shall be assisted in its duties by the Corporate Secretary and the Compliance Officer, which position shall be held by separate individuals who are not members of the Board.

### 1.7 . Specific Duties and Functions of the Board

The Board shall ensure a high standard of best practice in the performance of its functions as set out in the Company's By-Laws and additionally as follows:

- a. Implement a judicious process for the selection of directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies and adopt an effective succession planning program for its directors, officers and key managers to promote growth and dynamism in the Corporation as well as leadership succession;

- b. Develop sound business and strategic plans, policies and programs such as but not limited to corporate strategies, major plans of action, risk management policies, annual budgets and business plans, major capital expenditures, acquisitions and divestitures as well as a remuneration policy for its key and board members that are aligned with the long-term best interests of the Company and will help ensure the business sustainability of the Company and periodically evaluate and monitor the implementation of such plans, policies and programs;
- c. Ensure of a strong compliance culture in the Company by faithful compliance with all relevant laws, rules and regulations, internal charters and polices, and as far as practicable best business practices;
- d. Establish and maintain an investor relations program that will keep stockholders and other stakeholders informed on a timely, regular and clear basis, of the important developments in the Company and serve as feedback channel, and ensure that appropriate corporate disclosure policies and procedures are in place to provide for accurate, reliable and timely disclosures that are disseminated in a non-exclusionary and non-selective way and a fair presentation of Company's financial condition, results and business operations to shareholders and other stakeholders;
- e. Promote a mutually beneficial, positive and progressive relationship with the Company's stakeholders and the community in which it operates or are directly affected by its operations, and promulgate clear policies and programs for the effective communication and engagement of the Company's stakeholders and their fair treatment and protection, including redress of rights violated;
- f. Ensure the adoption, adequacy and effectiveness of sound organizational and operational internal controls and systems (including those for conflict of interest situations) for good governance through regular review and monitoring;
- g. Ensure that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key risks of the Company and establish its risk strategies and approach;
- h. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company 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 relationships by members of the Board;
- i. Constitute an Audit, Risk Oversight and Related Party Transaction Committee and a Corporate Governance, Compensation and Nomination Committee and such other

committees it may deem necessary to assist the Board in the performance of its duties and responsibilities;

- j. Establish and maintain an alternative dispute resolution system to amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities;
- k. Provide stockholders with a balanced and comprehensible assessment of the Company's performance, position and prospects on an annual and quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law;
- l. Conduct an annual self –assessment of the performance and the effectiveness of the Board, its committees, and each member with the assessment criteria and process based on the mandates, functions, roles and responsibilities provided in its charters and have the assessment supported by an external facilitator every three years;
- m. Ensure that all members of the Board shall go through an orientation process whereby they are briefed on their fiduciary responsibilities as directors, the Company's governance policies and processes, and the regulatory requirements and industry developments affecting the Company's business and operations, and provide for the continuing development program for the members of the Board;
- n. Adopt a comprehensive set of policies (i.e., Code of Business Conduct and Ethics) that sets out the personal and professional conduct expected from members of the Company to ensure that directors, officers and employees shall uphold the best interests of the Company and work under a culture of integrity and excellence and with a sense of accountability, transparency and urgency. It shall monitor and ensure compliance and disseminate copies thereof to the Board, senior management and employees and made available in the Company's website.
- o. Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.
- p. Keep the activities and decisions of the Board within its authority under the Company's Articles of Incorporation and By-Laws, and in accordance with existing laws, rules and regulations; and
- q. Approve the selection and appointment to the Chief Compliance Officer who shall have the rank of at least senior vice president, the Chief Risk Officer and Chief Audit Executive and monitor their performance.

## 1.8 Specific Responsibilities of a Director

A director shall observe the following norms of conduct:

- a. Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.
  - (i) A director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests.
  - (ii) He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A director who has a continuing material conflict of interest shall seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.
  - (iii) A director with a material interest in any transaction affecting the Company shall abstain from taking part in the deliberations for the same.
- b. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
  - (i) A director shall devote sufficient time to familiarize himself with the Company's business. He shall be constantly aware of and knowledgeable with the Company's operations to enable him to meaningfully contribute to the Board's work.
  - (ii) He shall attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.
- c. Act judiciously.

Before deciding on any matter brought before the Board, a director shall carefully evaluate the issues and, if necessary, make inquiries and request clarification.

- d. Exercise independent judgment.

A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position. He shall not be afraid to take an unpopular position. Corollarily, he shall support plans and ideas that he thinks are beneficial to the Company.

- e. Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its Articles of Incorporation and By-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.

A director shall also keep abreast with industry developments and business trends in order to promote the Company's competitiveness.

- f. Observe confidentiality.

A director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.

- g. Observe compliance with the laws, polices, rules of the Philippines and other regulatory agencies.

This shall include reporting to the public of any dealings in the Company's shares within three business day.

## 2.0 Board Committees

To assist the Board in discharging its responsibilities and ensure the effective performance of the function of the Board with respect to audit, risk management, related party transactions, nominations and remuneration and other key corporate governance concerns, the Board has constitute the following Board Committees as its principal standing committees: (a) Audit Committee, (b) Compensation and Remuneration Committee, and (c) Nomination Committee.

The composition, functions and responsibilities, organizational, reporting and operating processes of the Board committees shall be defined by the Board in the Committee Charter which shall be posted and made publicly available in the Company website. The work and actions of these Committees shall be regularly reported to and monitored by the Board and its performance annually evaluated.

### 2.1 Audit ("AC")

The Board shall constitute an Audit Committee to be composed of at least three (3) non-executive directors, two of whom shall be independent directors, including its Chairman. As far as practicable, the Chairman of the Committee shall not be a Chairman of the Board and of any other Committee. Each member of the Committee shall have relevant background, knowledge, skills and/or experience in the areas of financial and risk management systems.

The Committee shall meet separately with external auditor.

The duties and responsibilities of the AC Committee are as follows:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- l) Recommend the appointment and removal of the Internal Auditor and External Auditor who shall be accredited with the Securities and Exchange Commission. It should ensure that the internal and external auditors act independently from each other, free from interference from other parties, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- e) Prior to the commencement of the external audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Establish an internal audit function, adopt an Internal Audit Charter and consider the appointment of an independent internal auditor and the terms and conditions of his engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors;
- i) Review the quarterly, half-year 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
  - Major judgmental areas
  - Significant adjustments resulting from the audit

- Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- m) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to their independence. The non-audit work, if allowed, should be disclosed in the Company's annual report;
- n) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;
- o) Monitor and review risk exposures and risk management plans of the Company;
- p) Oversee the implementation of systems for identifying, monitoring, measuring, controlling and reporting of material related party transactions, including the periodic review of related party transaction policies and procedures.
- q) Evaluate on an ongoing basis all related party transactions to ensure that such transactions are not to the detriment of the Company's business and to determine any potential reputational risk issues that may arise as a result or in connection with the transactions. In evaluation these transactions, the Committee shall take 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 Company 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 no less favorable than the terms generally available to an unrelated party under similar circumstances. The Company shall have an effective price

discovery system in place and exercise due diligence in determining a fair price for RPTs;

## 2.2 Nomination Committee

The Nomination shall be composed of at least three (3) independent directors of the Board, including the Chairman of the Committee.

The duties and responsibilities of the Nomination Committee are as follows:

- a) Evaluate the qualifications of all persons nominated for election to the Board of Directors and recommend such adjustments in the Board structure and the skills and expertise required to meet the needs of the Company;
- b) Guide the succession planning process by reviewing the leadership needs of the Company and the adequacy of proposals for succession to key leadership positions in the Company;

## 2.3 Compensation and Remuneration Committee

A Compensation and Remuneration Committee composed of at least three members of the Board and shall have the following duties:

- a) Ensure that the compensation framework for directors and key executives are aligned to the long-term interests of the Company and consistent with the Corporation's culture, strategy and the business environment in which it operates; and
- b) Review the structure and competitiveness of the Company's compensation program to attract and retain directors, officers and employees who are needed to run the Company successfully.

## 3.0 Principal Officers

### 3.1 Chairman of the Board

The Board shall be headed by a competent and qualified Chairman, who shall not concurrently hold the position of Chief Executive Officer of the Company.

In addition to his duties and responsibilities under the By-Laws, the Chairman of the Board, shall have the following roles and responsibilities, among others:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, 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;
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and
- g. Maintain qualitative and timely lines of communication and information between the Board and Management.

### 3.2 Chief Executive Officer

In addition to his duties and responsibilities under the By-Laws, the Chief Executive Officer shall have the following responsibilities:

- a) Provide general supervision of the business, affairs, and property of the Company and over its employees and officers;
- b) see that all orders and resolutions of the Board of Directors are carried into effect;
- c) Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs; and
- d) Report to the Board from time to time all matters within his knowledge which will have a bearing on the interest of the Company and may require to be brought to the Board's attention.

### 3.4 Corporate Secretary

A Corporate Secretary shall be appointed to assist the Board in the performance of its duties and responsibilities.

The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines and shall possess organizational and interpersonal skills as well as a legal, financial and accounting knowledge. As far as practicable, he/she shall not be appointed as Compliance Officer on a concurrent basis.

The Corporate Secretary shall have the following duties and responsibilities, among others:

- i. Serve as adviser to the directors on their responsibilities and obligations;
- ii. Assist the Board and its Committees in the conduct of their meetings, including preparation of an annual schedule of meetings and assist the Chairman of the Board and Committee Chairman to set the agenda for the meeting;
- iii. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Company;
- iv. Provide advice and assistance in connection with the establishment of board committees and their terms of reference;
- v. Be loyal to the mission, vision and objectives of the Company;
- vi. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- vii. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company; advises the Board and the Chairman on all relevant issues as they arise;
- viii. Have a working knowledge of the operations of the Company;
- ix. Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- x. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;

- xi. Performs required administrative functions;
- xii. Oversees the drafting of the By-laws and ensures that they conform with regulatory requirements;
- xiii. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- xiv. Attend a training in corporate governance on an annual basis; and
- xv. Such other responsibilities as may be required by the Board of Directors .

### 3.5 Compliance Officer

The Board shall be assisted in the performance of its duties by a Compliance Officer shall have a rank of a Senior Vice President or its equivalent having adequate stature and authority in the Company and shall have direct reporting responsibilities to the Chairman of the Board. The Compliance Officer shall not be a member of the Board as far as practicable and shall annually attend a training on corporate governance.

The Compliance Officer shall perform the following duties:

- i. Ensure that all directors appointed to the Board have gone through an orientation process whereby they were briefed by the Corporate Secretary, Compliance Officer and Management on their fiduciary responsibilities as directors, the Company's governance policies and processes, and the regulatory and industry developments affecting Company's business and operations, and attend and participate in the continuing development program for the members of the Board;
- ii. Monitor, review, evaluate and ensure the compliance by the Company, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- iii. Report violations to the Board and recommend to the Board the imposition of appropriate disciplinary action on the parties responsible and the adoption of measures to prevent a repetition of the violation thereof;
- iv. Appear before the Commission when summoned in relation to compliances with the requirements of the Corporate Governance Code for Publicly Listed Companies;
- v. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;

- vi. Ensure fulfilment of reportorial and disclosure obligations of the Company to the Securities and Exchange Commission and the Philippine Stock Exchange;
- vii. Identify and monitor compliance risks and possible issues and works towards the resolution or control of the same; and
- viii. Performs such other duties and responsibilities as may be provided by the Commission.

### 3.6 Chief Financial Officer

The Chief Finance Officer may also be the Treasurer of the Company and shall be responsible for the following:

- i. Provide management with accurate, relevant, and timely operating and financial reports;
- ii. Monitor the financial condition of the Company,
- iii. Maintain the integrity of accounting records as the basis of financial statements; and
- iv. Strengthen internal controls by monitoring compliance with policies; recommend to Management appropriate actions and changes in systems and procedures as circumstances may require

### 4.0 Employees

The Company is committed to promoting the safety, well-being and professional development of its employees and maintaining a work environment that fosters harmonious, productive working relationships and encourages mutual employee respect. There is zero tolerance for sexual harassment and other actions that violate the basic safety or dignity of an employee.

The Company promotes a culture of learning and employee involvement and values diversity of opinion and open debate. Conflicts or disputes are addressed through discussion, negotiation, mediation, arbitration and lastly resort to judicial processes. For conflicts of interest, the Conflict of Interests Policy provides for the framework for conflict avoidance and management.

Subject to the grievance procedure and requirements prescribed by law, the Company imposes disciplinary measures on directors, officers and employees whose conduct deviates from those prescribed under the Company policies and guidelines such as but not limited to those provided under the Company's Manual of Corporate Governance, Code of Conduct and Ethics, Employee Handbook, Conflict of Interests Policy, Insider Trading Policy and By-Laws.

## 5.0 Audit and Compliance

### 5.1 Internal Audit

The Internal Audit function shall be headed by a Chief Audit Executive who shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report functionally to the ARRP Committee of the Board of Directors and administratively to the Chief Executive Officer.

The internal audit function shall review, audit and report the effectiveness of the system of organizational and procedural controls of the Company and governance and risk management systems. It shall be independent of the activities that it audits.

Its scope of work covers risk exposures relating to achievement of the Company's strategic objectives, reliability and integrity of information systems, systems established to ensure compliance with the policies, plans, procedures, laws, and regulation with significant impact on the organization, the means to safeguarding assets and the effectiveness and efficiency by which resources are employed, the effectiveness of the organization's risk management processes and specific operations at the request of the Board or management, as appropriate.

#### b. External Auditor

In the selection of the external auditor, the Company shall consider among others, the suitability and adequacy of the experience, competence and resources of the external auditor as well as their independence and objectivity. The external auditor should have a good understanding of the Company's business, risk management and operational issues.

An SEC accredited external auditor shall be appointed by the stockholders upon recommendation by the Board, after consultations with the ARRP Committee. It shall have for its principal function to conduct an independent audit and provide an objective assurance on the manner in which the financial statements shall have been prepared and presented.

The reason/s for the resignation, dismissal or cessation from service of an external auditor and the effective date thereof shall be reported in the Company's annual and current report. Such report shall include a discussion of any disagreement regarding accounting principles or practices, financial disclosures or auditing scope or procedure which the former auditor of the Company failed to resolve satisfactorily.

The Company shall ensure that the external auditor's independence will not be compromised by any non-audit services to be provided and the amount of non-audit fees to be paid. The

external auditor of the Company shall not at the same time provide the services of an internal auditor to the same client.

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

## 6.0 Risk Management

The Company shall promote a risk-aware culture by making risk management a responsibility of every employee and an integral part of the Company's strategic and operational planning, and day-to-day management and decision making.

The Company shall manage and minimize risks by identifying, analysing, evaluating and treating exposures that may impact on the achieving its objectives and the continued efficiency and effectiveness of its operations.

The Company shall appoint a Chief Risk Officer who shall oversee and supervise entire enterprise risk management process and recommend improvement of ERM processes and documentation.

The Company shall adopt a bottom-up approach in its risk management process, with line management primarily responsible for the identification of risks and the implementation of its control strategies. Training programs to explain the value of risk management and understand the risk responsibilities of personnel in the different organization levels shall be held periodically to ensure that sound risk management and safety practices are implemented in the day-to-day operations.

## 7.0 Disclosure and Transparency

The trust of the shareholders and other stakeholders is fundamental to the business of the Company and thus the Company adheres to the principles of transparency, fairness and integrity.

To promote trust and confidence in the integrity of the Company, it is the policy of the Company to fully and timely disclose material information and dealings and to disseminate such information in a non-exclusionary and non-selective way. Shareholders and the investing public shall be regularly, timely and clearly informed of the developments involving the Company, its strategies and prospects to promote greater understanding of the Company.

Company disclosures pertaining to the Company, its operation, employees, directors or officers shall be reviewed and approved by Management and/or the Board for public

dissemination. Corporate financial disclosures are reviewed by the AC and endorsed to the Board for its public release.

The Company shall employ the following modes of communication as it may deem fit for disseminating Company information and results on a regular basis to its stakeholders:

- a. Company website
- b. Press releases
- c. Structured and unstructured corporate disclosures
- d. Meetings between Company officers and analysts/institutional investors
- e. Annual report
- f. Local participation in industry-oriented exhibits and conferences
- g. Stockholders' meeting
- h. Email alerts

The Company shall have an Investor's Relations Officer who shall primarily responsible for communicating developments involving the Company, and serve as a feedback channel for shareholders and other stakeholders.

#### 8. Stockholders' Rights and Protection of Minority Stockholders

The Company shall attach considerable importance to shareholder rights and interests. In line with this, the Company shall:

- a. Facilitate the exercise of the shareholders of their rights by ensuring that they can participate effectively in and vote at the Shareholders' Meetings, either in person or by proxy.
- b. Encourage shareholder participation at shareholders meetings by ensuring that the venue for meeting is centrally located and easily accessible by public transportation and the voting procedures explained in advance. The notice of meetings shall be communicated to shareholders also through the Company website and the PSE Edge Disclosure System. Shareholders shall be provided with sufficient information in the Information Statement provided to them to enable them to make informed decisions on matters submitted for their consideration. Resolutions on each agenda item shall be tabled separately to enable shareholders to vote for each item and the results of the votes taken are reported during the meeting and make publicly available in the Company's website the day following the meeting. Shareholders shall be given the opportunity to communicate their views and direct questions to Directors and Senior Management regarding the Company during shareholder meetings and by communicating through the Company's Investor's Relations Office.
- c. Respect the following rights of the stockholders:

- (i) Right to vote on all matters that require their consent or approval;
- (ii) Right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- (iii) Exercise cumulative voting in the election of directors.
- (iv) No director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- (v) Right to inspect corporate books and records;
- (vi) Right to information;
- (vii) Right of minority shareholders 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.
- (viii) Right to receive dividends that may be declared by the Board
- (ix) Appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

## 9.0 Approach to Sustainability

The Company is committed to ensure business sustainability by promoting a culture of responsibility in managing the environmental, social and governance effects of its strategies and operations. Its approach to sustainability involves giving importance to customer experience and workplace safety, promoting trade and industry and a risk-focused organization, supporting the development of the communities in which it operates and managing its environmental impact.

## 10.0 Effectivity

The Company shall align its Corporate Governance structures, policies and procedures in accordance with the requirements of this Manual within a period of one hundred twenty (120) days from effectivity of this Revised Corporate Governance Manual.

This Manual shall be available for inspection by any stockholder of the Company at reasonable hours on business days.

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

An adequate number of this Manual, both in printed or electronic form, must be reproduced and disseminated, with a minimum of at least one (1) hard copy of the Manual per Department.

Signed this 24 May 2017 in MAKATI City.

By order of the Board of Directors:

(SGD.)  
**STEPHEN LEE KENG**  
Chairman of the Board

(SGD.)  
**SARAH JOELLE LINTAG**  
Compliance Officer