



# **REVISED MANUAL ON CORPORATE GOVERNANCE MANILA BULLETIN PUBLISHING CORPORATION**

*(Revised in compliance with SEC Memorandum Circular No. 24, Series of 2019 and  
Memorandum Circular No. 19, Series of 2020)*

The Board of Directors and Management of Manila Bulletin Publishing Corporation, in compliance with the Securities and Exchange Commission's requirements and guidelines, hereby affirms the principles and best practices contained in this Manual and acknowledges that these shall guide them in the attainment of the Company's goals. The Company developed this Manual in accordance with the provisions of the Code (as hereinafter defined) to achieve greater transparency and accountability in the conduct of its business.

## **I. DEFINITION OF TERMS**

Board - duly constituted and incumbent Board of Directors of the Company.

Code of Corporate Governance – Code of Corporate Governance for Public Companies and Registered Issuers adopted by the Securities and Exchange Commission through Memorandum Circular No. 24, Series of 2019.

Commission – Securities and Exchange Commission.

Corporate Governance – framework of rules, systems and processes in the Company that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates, in order to maximize the Company's long-term success and create sustainable value for its stakeholders while ensuring accountability and transparency from its Board of Directors and Management.

Independent Director – shall have the meaning ascribed under Section VII hereof.

Management – group of executive officers of the Company led by the President.

Non-Executive Director – a member of the Board of Directors who has no executive responsibility and does not perform work related to the operations of the Company.

Related Parties – refers to the Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the Company. The term also covers any of the Company's subsidiaries, joint ventures or other entities that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Related Party Transaction – refers to any arrangement or transaction for the transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a consideration is charged. It includes not only transactions that are entered into with Related Parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.

Revised Corporation Code – Republic Act No 11232 or "An Act Providing for the Revised Corporation Code of the Philippines", which took effect on February 23, 2019.

## **II. OBJECTIVE**

This Manual institutionalizes the principles of good corporate governance in the entire organization, and shall serve as a basic reference in implementing the principle thereof.

The Board of Directors and Management, officers, employees and stockholders, believe that corporate governance is vitally important in strategic business management and will therefore undertake every effort necessary to create awareness of its principles and practice throughout the entire organization.

## **III. BOARD'S GOVERNANCE RESPONSIBILITIES**

The Board of Directors (the "Board") is primarily responsible for the governance of the corporation and for ensuring compliance with the principles of good corporate governance.

### **1) Composition of the Board**

The Board shall be composed of at least five (5), but not more than fifteen (15) directors, who are elected by the stockholders. The directors of the Board shall have a collective working knowledge, experience and/or expertise that is relevant to the corporation's industry/sector. The membership of the Board shall be characterized by breadth and depth of competence and expertise that is needed to address and respond to the evolving business environment.

The Board shall have at least three (3) independent directors or such number of independent directors as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

The membership of the Board shall be composed of a majority of non-executive directors who possess the necessary qualifications for exercising objective and independent judgment on corporate affairs and to ensure proper checks and balances. An appropriate combination of non-executive directors, which include independent directors, and executive directors, ensures that no director or small group of directors can dominate the decision-making process.

The Board shall adopt a policy on board diversity to avoid groupthink and ensure that optimal decision-making is achieved.

### **2) Multiple Board Seats**

The Board shall consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. Non-executive directors shall concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views and oversee the corporation's long-term strategy. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

### **3) The Chairman and Chief Executive Officer**

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

If the positions of Chairman and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives. The Board shall designate a lead independent director if the Chairman is not independent, or if the positions of Chairman and CEO are held by one person.

The Board shall be headed by a competent and qualified Chairman. The roles and responsibilities of the Chairman in relation to the Board include, among others, the following:

- a. Make certain that the meeting agenda focuses on strategic matters, including the overall risk profile of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensure that the Board sufficiently deliberates and inquires upon reports submitted and representations made by Management;
- e. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and,
- f. Ensure that the performance of the Board is evaluated at least once a year and that it is sufficiently deliberated upon and assessed.

The CEO, who shall be equally competent and qualified, has the following roles and responsibilities:

- a. Determine the corporation's strategic directions and formulates and implements its long-term business policies and plans;
- b. Communicates and implements the corporation's vision, mission, values and business objectives;
- c. Oversee the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Acquire and update knowledge of the corporation's industry and market and enables the organization to adapt and respond to business challenges;
- e. Direct, evaluate and guide the work of the key officers of the corporation;

- f. Manage the corporation's resources prudently and ensure adequacy and proper balance of the same;
- g. Provide the Board with timely information on the status and quality of the workforce and ensure constant dialogue with the company's workforce;
- h. Propagate and nurture the corporate culture as a unifying element among all stakeholders;
- i. Serve as the link between internal operations and external stakeholders.

#### **4) Responsibilities, Duties and Functions of the Board**

##### **a. General Responsibility of the Board-**

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 interests of its stockholders and stakeholders.

The Board shall formulate the corporation's vision, mission, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

The Board shall recognize the importance on the interdependence between business and society, and promote mutually beneficial relationships that allow the corporation to grow its business, while contributing to the advancement of the society where it operates. (per Recommendation 16.1 of SEC MC No. 19)

The Board shall develop and approve the corporation's business objectives and strategies, and monitor their implementation, in order to carry out its objectives and to sustain the corporation's continuing viability and strength.

##### **b. Specific Duties and Functions of the Board-**

To ensure observance by the corporation of high ethical standards and best practices, the Board shall conduct itself with honesty and integrity in the performance of all its duties and functions, such as:

1. Install a formal and transparent nomination and election process which shall include a review of the qualifications of nominees to ensure a mix of competent directors, who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers;
2. Approve the selection and assess the performance of Management of its control functions, led by the President/CEO and other responsible officers such as the Chief Compliance Officer, Chief Risk Officer, and Chief Audit Executive. Establish an effective performance evaluation framework which includes the standards or criteria for assessment that will ensure that the Management and personnel's performance is at par with the standards set by the Board and Management.
3. Adopt an effective succession planning program for directors, key officers

and management to ensure the growth and continued increase in the shareholders' value;

4. Provide full, fair accurate and timely disclosure to the public of every material fact or event that occurs, particularly, on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of shareholders and other stakeholders. For any acquisition or disposal of significant corporate asset, the Board may appoint an independent party to evaluate the fairness of the transaction price. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
5. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices;
6. 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 Chief Financial Officer shall exercise oversight responsibility over this program;
7. 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 to promote cooperation with them and the corporation in creating wealth, growth and sustainability. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders, and adopt a transparent framework and process that allow stakeholders to communicate with the corporation and to obtain redress for violations of their rights;
8. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the corporation's goals and in its governance, including a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation;
9. Adopt and oversee an appropriate internal control system, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, Board members and shareholders. 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;
10. Identify 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. Adopt and oversee a sound enterprise risk management framework to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying business lines and enterprise-level risk exposures, as well as, the effectiveness of risk management strategies;
11. Provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as, the level and mix of the same in the

Annual Corporate Governance Report;

12. Formulate and implement policies and procedures that would guarantee the integrity, fairness 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 relationships. The Board shall ensure that related party transactions occur at market prices, on arm's-length basis and under conditions that protect the rights of shareholders, and that material or significant related party transactions are ratified by shareholders during the annual meeting;
13. Constitute an Audit Committee, Corporate Governance Committee, Risk Oversight Committee, Related Party Transaction Committee, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
14. Establish and maintain an alternative dispute resolution system in the corporation that can amicably and effectively resolve conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities;
15. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;
16. Keep the activities and decisions of the Board within its authority as prescribed in the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations;
17. Appoint a Compliance Officer, who shall have the rank of at least senior vice president;
18. Adopt an anti-corruption policy and program, and disseminate the same to the employees across the organization through relevant trainings to embed them in the corporation's culture
19. Respect and promote the rights of the corporation's shareholders, as provided for under Section XVI of this Manual;
20. Adopt a Board Charter that formalizes and states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions;
21. Disclose all relevant and material information on individual members of the Board and key executive officers to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment;
22. Adopt a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as, articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the corporation's Code of Business Conduct and Ethics;

23. Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the corporation's financial condition, results and business operations. Maintain a comprehensive and cost-efficient communication channel for disseminating relevant information to investors, shareholders and other stakeholders; and,
24. Adopt a policy on disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability, as well as, a globally recognized standard/framework in reporting sustainability and non-financial issues.
25. Conduct an annual self-assessment of its performance as a body, including the performance of the Chairman and its individual members and that of the Committees;
26. Develop a system that provides the criteria and process to determine the performance of the Board, the individual directors, and the committees, and allows for a feedback mechanism from the shareholders.

#### **IV. SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR**

A Director's office is one of trust and confidence. A director shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress. He shall act in the interest of the corporation and its shareholders.

A Director should observe the following duties, responsibilities and norms of conduct:

**1) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.**

The basic principle to be observed is that a Director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should abstain from taking part in the deliberations and decision-making process. A director who has a continuing material conflict of interest should 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 corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

**2) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.**

A Director should devote sufficient time to familiarize himself with the corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings,



review meeting materials and, if called for, ask necessary questions or seek clarifications and explanations.

- 3) Act judiciously, in good faith, with due diligence and care, and in the best interest of the Company and its stakeholders, observing always high ethical standards in the performance of his or her duties.**

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

- 4) Exercise independent judgment.**

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

- 5) 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 the Commission and, where applicable, the requirements of relevant regulatory agencies.**

A Director should also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

- 6) Observe confidentiality.**

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

- 7) Disclose to the company any dealings in the Company's shares within three (3) business days from the subject transaction. This duty shall likewise apply to all officers of the corporation.**

Directors often have access to material inside information on the corporation. Hence, to reduce the risk that directors might take advantage of such information, timely disclosure on dealings with company shares should be made by directors, as well as, officers of the corporation.

- 8) Attend the orientation program for first-time directors and relevant annual continuing training program for all directors.**

First-time directors should be properly oriented upon joining the Board in order to ensure that new members are appropriately apprised of their duties and functions before beginning with their directorships. The orientation program shall cover mandated topics on corporate governance and an introduction to the corporation's business, articles of incorporation, by-laws, and code of conduct.

All directors should attend the annual continuing training programs to be abreast of the developments in the business and regulatory environments. The training programs may involve courses on corporate governance matters relevant to the corporation, including audit, internal controls, risk management, sustainability and strategy.

**9) Notify the Board before accepting a directorship in a publicly listed corporation.**

A director should notify the Board before accepting a directorship in another company. This is to enable the corporation to assess if the director's present responsibilities and commitments to the corporation will be affected.

**10) Review meeting materials and ask necessary questions.**

In Board and Committee meetings, a director must review meeting materials and ask the necessary questions or seek clarifications and explanations if called for.

**11) Disclose adverse material interest in any transaction affecting the Company.**

A director with material or potential interest in any transaction affecting the Company should fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the subject transaction/s.

## **V. QUALIFICATIONS OF DIRECTORS**

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

- a) College education or equivalent academic degree;
- b) Practical understanding of the business of the corporation;
- c) Membership in good standing in relevant industry, business or professional organizations; and,
- d) Previous business experience.

Unless otherwise approved by the Nomination Committee on meritorious grounds, non-executive directors of the Board shall only serve as concurrent director to a maximum of five (5) publicly-listed corporations to ensure that they have sufficient time to fully prepare for meetings, review Management's proposals/views, and oversee the long-term strategy of the corporation.

## **VI. DISQUALIFICATIONS OF A DIRECTOR**

**1) Grounds for Permanent Disqualification-**

- a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal

distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission 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 Commission or BSP, or under any rule or regulation issued by the Commission 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 Commission, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP;
- e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same 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 previously enumerated;
- 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; and,
- i. Other grounds as the Commission may provide.

## **2) Grounds for Temporary Disqualification-**

- 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 corporation covered by this Code. 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; and,
- 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.

## **VII. INDEPENDENT DIRECTORS**

For purposes of this Manual, an Independent Director shall be understood to mean as a person who:

- 1) 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;
- 2) Is not, and has not been in the three (3) 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;
- 3) 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 (3) years immediately preceding his election;
- 4) Is not an owner of more than two percent (2%) of the outstanding shares of the corporation, its subsidiaries, associates, affiliates or related companies;
- 5) 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;
- 6) Is not acting as a nominee or representative of any director of the corporation or any of its related companies;
- 7) 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;

- 8) 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 (3) years immediately preceding the date of his election;
- 9) 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;
- 10) 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,
- 11) Is not employed as an executive officer of another company where any of the corporation's executives serve as directors.

An independent director shall serve for a maximum of cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the corporation, but may continue to qualify for nomination and election as a non-independent director. In the event that the Nomination Committee shall endorse for re-election an independent director who has served for nine (9) years, it shall provide meritorious justifications and the re-election of such independent director shall require shareholders' approval during the annual stockholders' meeting.

## **VIII. INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD**

The corporation shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into consideration its size, risk profile and complexity of operations.

The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) the Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

- 1) The minimum internal control mechanisms for the performance of the Board's oversight responsibility include:
  - a. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
  - b. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - c. Evaluation of proposed senior management appointments;

- d. Selection and appointment of qualified and competent management officers; and,
  - e. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- 2) An internal audit system shall be established that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor/Chief Audit Executive (CAE) to perform the audit function, and require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor/CAE shall be guided by the International Standards on Professional Practice of Internal Auditing.

The following are the functions of the internal audit:

- a. Provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Perform regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- d. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the company;
- f. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluate specific operations at the request of the Board or Management, as appropriate; and;
- h. Monitor and evaluate governance processes.

## **IX. BOARD MEETINGS AND QUORUM REQUIREMENT**

The members of the Board shall attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors should always attend Board meetings. 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 independent director in all its meetings.

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

Non-executive directors shall have separate meetings with the External Auditor and heads of the internal audit, compliance and risk functions, without any Executive Directors present to ensure that proper checks and balances are in place within the corporation. The meetings, which shall be held annually or more often if necessary, shall be chaired by the Chairman of the Board or the lead independent director, as the case may be.

## **X. REMUNERATION OF DIRECTORS AND OFFICERS**

The levels of remuneration in the corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The corporation shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director should participate in deciding on his remuneration.

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

To protect the funds of a corporation, the Commission may, in exceptional cases (e.g. when a corporation is under receivership or rehabilitation), regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

## **XI. BOARD COMMITTEES**

The Board shall constitute the board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities, and to assist it in good corporate governance. All established committees are required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and shall be fully disclosed on the corporation's website.

### **1) Audit Committee –**

The Board shall establish an Audit Committee to enhance its oversight capability over the corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall have at least three (3) appropriately qualified non-executive directors, the majority of whom shall be independent directors, including the Chairman. Each member of the committee shall have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee shall

not be the Chairman of the Board or of any other committees. The Audit Committee shall meet with the Board at least every quarter (or more, if warranted) without the presence of the President/CEO or other Executive Directors for the purpose of evaluating Management.

The Audit Committee shall have the following duties and responsibilities:

- a. Recommend the approval the internal audit charter, which formally defines the role of internal audit and the audit plan as well as oversees the implementation of the internal audit charter;
- b. Monitor and evaluate, through the internal audit department, the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. The Audit Committee shall ensure that well-designed internal control procedures and processes that provide a system of checks and balances shall be in place in order to (a) safeguard the corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the corporation's financial data, and (d) ensure compliance with applicable laws and regulations;
- c. Oversee the internal audit department, and recommends the appointment and/or grounds for approval of an internal audit head. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if necessary;
- d. Ensure that the internal auditor directly report to the Audit Committee, to enable him to properly fulfill his duties and responsibilities;
- e. Review and monitor Management's responsiveness to the internal auditor's findings and recommendations;
- f. Discuss with the external auditor, prior to the commencement of the audit, the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g. Evaluate and determine the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- h. Review and approve the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
  1. Any change/s in accounting policies and practices;
  2. Areas where a significant amount of judgment has been exercised;
  3. Significant adjustments resulting from the audit;
  4. Going concern assumptions;
  5. Compliance with accounting standards; and,
  6. Compliance with tax, legal and regulatory requirements.



- i. Review the disposition of the recommendations in the external auditor's management letter;
- j. Perform oversight functions over the corporation's internal and external Auditors. The Audit Committee shall ensure 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, taking into consideration relevant Philippine professional and regulatory requirements;
- k. Coordinate, monitor and facilitate compliance with laws, rules and regulations; and,
- l. Recommend 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.

## **2) Corporate Governance Committee-**

The Board shall establish a Corporate Governance Committee, which shall assist the Board in the performance of its corporate governance responsibilities. The committee shall be composed of at least three (3) members, all of whom shall be independent directors, including the Chairman.

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

- a. Oversee the implementation of the corporate governance framework and periodically reviews the same to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as, its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board and its committees, as well as, executive management, and conduct annual self-evaluation of its performance. Beginning in 2020, and every three (3) years thereafter, the committee shall engage an external facilitator to support its self-assessment activity;
- c. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates;

- g. Promulgate its own guidelines or criteria to govern the conduct of the nomination of directors, which guidelines/criteria shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission in accordance with the following:
  1. The evaluation of all nominees for directors shall be conducted by the committee prior to a shareholders' meeting. All recommendations for nominees shall be signed by the nominating shareholder together with the acceptance and conformity by the would-be nominees;
  2. The committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of all the nominees;
  3. After the evaluation and pre-screening process, the committee shall prepare and sign a Final List of Candidates, which shall contain all the nominees, as required under Part IV (A) and (C) of Annex "C" of Rule 12 of the Securities Regulation Code. The list shall be made available to the Commission and to all shareholders through the filing and distribution of the Information Statement, in accordance with Rule 20 of the Securities Regulation Code, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the Independent Director shall be identified in such report including relationship with the nominee; and,
  4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the annual shareholders' meeting.

### **3) Risk Oversight Committee-**

The Board shall establish a Risk Oversight Committee, which shall assist the Board in ensuring that there is an effective and integrated risk management process in place. The committee shall be composed of at least three (3) non-executive directors, majority of whom should be independent directors, including the Chairman. The Chairman of the committee shall not be the Chairman of the Board or of any other board committees. At least one (1) member of the committee shall have relevant thorough knowledge and experience on risk and risk management.

The Risk Oversight Committee shall have the following duties and functions:

- a. Develop a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures;
- b. Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee, and conduct regular discussions on the corporation's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;

- c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advise the Board on its risk appetite levels and risk tolerance limits;
- e. Review at least annually the corporation'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 corporation;
- f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence, especially those that are most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation, and regularly receive information on risk exposures and risk management activities of Management; and,
- h. Report to the Board on a regular basis, or as deemed necessary, the corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

#### **4) Related Party Transaction Committee-**

The Board shall establish a Related Party Transaction Committee, which shall review all material related party transactions of the corporation. The committee shall be composed of at least three (3) non-executive directors, majority of whom should be independent directors, including the Chairman.

The Related Party Transaction Committee shall have the following duties and functions:

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured;
- b. Report to the Board and regulators, 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, related party transactions and changes in relationships;
- c. Evaluate all material related party transactions to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the corporation are misappropriated or misapplied, and determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating related party transactions, the Committee shall take into account, among others, the following:
  - 1. The related party's relationship to the corporation and interest in the transaction;

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

## **XII. THE CORPORATE SECRETARY**

The Board shall appoint a Corporate Secretary, who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board and shall annually attend training on corporate governance. The Corporate Secretary is primarily responsible to the corporation and the shareholders.

The Corporate Secretary shall have the following duties and responsibilities:

1. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
2. Safe keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
3. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advise the Board and the Chairman on all relevant issues as they arise;
4. Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
5. Advise on the establishment of board committees and their terms of reference;

6. Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days in advance, 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;
7. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
8. Perform required administrative functions;
9. Oversee the drafting of the by-laws and ensure that they conform with regulatory requirements; and,
10. Perform such other duties and responsibilities as may be provided by the Commission.

### **XIII. THE COMPLIANCE OFFICER**

The Board shall appoint a Compliance Officer, who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer shall be a separate individual from the Corporate Secretary. The Compliance Officer shall not be a member of the Board and shall annually attend training on corporate governance. The Compliance Officer is primarily responsible to the corporation and the shareholders.

The Compliance Officer shall have the following duties and responsibilities:

1. Ensure proper onboarding of new directors (i.e., orientation on the corporation's business, charter, articles of incorporation and by-laws, among others);
2. Monitor, review, evaluate and ensure the compliance by the corporation, its officers and directors with the Code of Corporate Governance for Publicly Listed Companies, relevant laws, rules and regulations and all governance issuances of regulatory agencies;
3. Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
4. Ensure the integrity and accuracy of all documentary submissions to regulators;
5. Appear before the Commission when summoned in relation to compliance with the Code of Corporate Governance for Publicly Listed Companies;
6. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
7. Identify possible areas of compliance issues and work towards the resolution of the same;
8. Ensure the attendance of board members and key officers to relevant trainings; and,
9. Perform such other duties and responsibilities as may be provided by the Commission.

#### **XIV. THE CHIEF RISK OFFICER**

In order to manage the Company's Enterprise Risk Management (ERM) System, the Company shall have a Chief Risk Officer, who is the ultimate champion of Enterprise Risk Management.

The Chief Risk Officer shall have the following duties and responsibilities:

1. Supervise the entire ERM process and spearhead the development, implementation, maintenance, and continuous improvement of ERM processes and documentation;
2. Communicate the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
3. Collaborate with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
4. Suggest ERM policies and related guidelines, as may be needed; and,
5. Provide insights on the following:
  - a. Risk management processes are performing as intended;
  - b. Risk measures reported are continuously reviewed by risk owners for effectiveness; and,
  - c. Established risk policies and procedures are being complied with.

#### **XV. ADEQUATE AND TIMELY INFORMATION**

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

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

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

#### **XVI. ACCOUNTABILITY AND AUDIT**

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible 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 regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

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

- 1) The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- 2) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation should be maintained;
- 3) 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 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;
- 4) The corporation should consistently comply with the financial reporting requirements of the Commission;
- 5) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation should be changed with the same frequency. A two (2) year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor. 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 needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

The Board, upon recommendation of the Audit Committee, shall approve the appointment, reappointment, removal and fees of the external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The appointment, reappointment, removal and fees of the external auditor shall be ratified by the shareholders during the annual meeting. 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. Non-audit services performed by the external auditor shall be disclosed in the Annual Report to deal with any potential conflict of interest.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the corporation's annual and current reports, and disclosed to the regulators and the public in the company website and required disclosures. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or 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 its submission.

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

matter in the said report.

The Audit Committee Charter shall include the committee's responsibility to assess the integrity and independence of external auditors and to exercise effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking in to consideration relevant Philippine professional and regulatory requirements. For this purpose, the committee shall annually review and monitor the external auditor's suitability and effectiveness.

## **XVII. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

The Board shall respect the rights of the stockholders as provided for in the Revised Corporation Code; namely:

1. Right to vote on all matters that require their consent or approval – Shareholders shall be apprised of the voting procedures governing the annual or special Stockholders' meetings in the Information or Proxy Statement disseminated to shareholders;
2. Pre-emptive right to all stock issuances of the corporation – Shareholders shall have pre-emptive rights or the right to subscribe to the capital stock of the corporation, unless the same is denied in the Articles of Incorporation or in an amendment thereto;
3. Right to inspect corporate books and records – Shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries in the manner provided in the Corporation Code, at his expense;
4. Right to information – Shareholders shall be provided, upon request, with reports concerning their shareholdings in the corporation, information about directors and officers, and dealings in the corporation. Consistent with the By-Laws, shareholders owning at least one-fourth (1/4) of the outstanding capital stock with voting privilege shall be granted the right to propose the holding of a special meeting.

The Minutes of the Annual and Special Shareholders' Meeting shall include, among others, the following matters:

- a. A description of the voting and vote tabulation procedures used;
  - b. A description of the opportunity given to shareholders to ask questions, and a record of the questions asked and the answers received;
  - c. The matters discussed and the resolutions reached;
  - d. A record of the voting results for each agenda item;
  - e. A list of the directors, officers and shareholders who attended the meeting;
  - f. The dissenting opinion, if any, on any agenda item that is considered significant in the discussion process; and,
  - g. Such other items that the Commission may require in the interest of good corporate governance and the protection of minority stockholders.
5. Right to dividends – Shareholders shall have the right to receive dividends subject to the discretion of the Board and the availability of retained earnings.
  6. Appraisal right – Shareholders shall have an appraisal right or right to dissent and



demand payment of the fair value of their shares in the manner provided for in the Revised Corporation Code; and,

7. Right to participate – Notice of annual and special shareholders' meeting with sufficient and relevant information shall be sent to all shareholders at least twenty eight (28) days before the meeting and posted on the company website. The results of the votes taken during the most recent annual or special shareholders' meeting shall be made publicly available at the next working day.

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 bylaws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the 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 a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders shall be treated equally or without discrimination, the Board shall 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.

## **XVIII. GOVERNANCE SELF-RATING SYSTEM**

The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Manual.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the corporation's annual report.

## **XIX. 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 would adversely affect its viability or the interests of the stockholders, should be publicly and timely disclosed. Such information should include, among others, earnings, results, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

Any amendment or revision of this Manual shall be submitted to the Commission and posted in the Company's website.

The Company shall disclose all relevant information regarding its corporate governance policies and practices in the Annual Corporate Governance Report, which should be submitted to the Commission and posted in the Company's website.

#### **XX. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

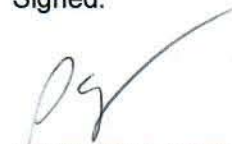
The corporation shall establish and implement its corporate governance rules embodied in this Manual, which shall be used as reference by the Board and Management.

This manual shall be made available for inspection of any shareholder at reasonable hours on business days, and shall also be posted on the Company's website.

#### **XXI. ADMINISTRATIVE SANCTIONS**

For the strict observance and implementation of the provisions of this Manual, the Board shall determine the appropriate penalty for violation of this Manual on a case-to-case basis taking into consideration the nature of the violation, as well as, the gravity and frequency thereof.

Signed:



**BASILIO C. YAP**  
Chairman of the Board



**HERMINIO B. COLOMA, JR.**  
Compliance Officer