



**PHILTOWN PROPERTIES, INC.**

**MANUAL ON  
CORPORATE GOVERNANCE**

**April 2023**

**Manual on Corporate Governance**  
**PHILTOWN PROPERTIES, INC.**  
**Year 2023**

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## **Article 1: POLICY STATEMENT**

The Board of Directors, the Management and staff of the Corporation believe that corporate governance is a vital factor for a sound strategic business management to enable it to comply with all governing laws, rules and regulations, corporate policies and procedures. Thus, maintaining integrity and excellence in all aspects of its operations.

## **Article 2: OBJECTIVE**

This Manual shall internalize the principles of good corporate governance of fairness, accountability, transparency and ethics in the whole organization.

## **Article 3: DEFINITION OF TERMS**

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

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and Management accountable for ensuring ethical behavior, reconciling long-term customer satisfaction with stockholder value, to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its stockholders and stakeholders.

- b) Board of Directors – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- c) Management – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
- d) Independent Director – a Director who is independent of Management and the controlling stockholders, and is free from any business or other relationships which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director.
- e) Executive Director – a Director who has executive responsibility of day to day operations of a part or the whole of the organization.
- f) Non-Executive Director – a Director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- g) Internal Control – a process designed and effected by the Board, Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

- h) Enterprise Risk Management – a process, effected by the Board, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
- i) Related Party – covers the company's subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors, officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
- j) Related Party Transactions – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- k) Stakeholders – any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

#### **Article 4: RULES OF INTERPRETATION**

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

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

#### **Article 5: BOARD OF GOVERNANCE**

The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. It shall be a competent, working Board with the goal of ensuring the long-term success of the Corporation, in a manner consistent with its corporate objectives and the long-term best interests of its stockholders and other stakeholders.

##### **A. Composition of the Board**

The Board shall be composed of Directors with collective working knowledge, experience or expertise that is relevant to the Corporation's industry.

It shall be composed of seven (7) members, at least two (2) of whom shall be Independent Directors. As a rule, the membership of the Board shall be composed of a majority of Non-Executive Directors in order that no Director or small group of Directors can dominate the decision-making process and to ensure that the Corporation's interest is protected over that of the individual stockholders. The Non-Executive Directors shall possess qualifications and stature that would enable them to effectively participate in the deliberation process of the Board.

The Board may consider the adoption of guidelines on the number of directorships that a Board member can hold taking into consideration the ability of the member to diligently and efficiently perform his duties and responsibilities in the Board.

A Director should notify the Board where he is an incumbent director before accepting a directorship in another company in the same industry.

As a rule, the Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years, making sure however that the stockholders' legal right to vote and be voted as Directors remains inviolable. In the instance that the Corporation wishes to retain an Independent Director who has served for nine (9) years, the Board should provide meritorious justification and have this ratified during the annual regular meeting of the stockholders.

The Board should ensure that its Independent Directors possess the necessary qualifications and none of the disqualifications for an Independent Director to hold the position.

The Board likewise adopts a strict policy on board diversity to avoid groupthink and ensure that optimal decision-making is achieved. This diversity policy is not limited to gender diversity, but includes diversity on age, ethnicity, culture, skills, competence and level of schooling completed.

## **B. Chairman of the Board and Chief Executive Officer**

The positions of Chairman of the Board (Chairman) and Chief Executive Officer (CEO) should, as much as practicable, be held by separate individuals. Moreover, there should be a clear delineation of responsibilities and functions between the two positions upon their election. In case the positions are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

1. The duties and responsibilities of the Chairman shall include, among others, the following:
  - (i) Ensure that Board meetings are held in accordance with the Corporation's By-Laws or as the Chairman deems necessary;
  - (ii) Ensure that agendas of Board meetings focus on strategic matters, including the overall risk appetite of the Corporation, developments in the business, regulatory matters, key governance concerns and contentious issues that will significantly affect operations;
  - (iii) Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information from Management to enable it to make sound decisions;
  - (iv) Ensure that the Board sufficiently challenges and inquires on reports submitted and/or representations made by Management;

- (v) Facilitate discussions on key issues by fostering an environment conducive for constructive debate;
  - (vi) Assure the availability of proper orientation for first-time Directors and continuing training for all Directors that are in-line with the Board's needs, and;
  - (vii) Make sure that the performance of the Board is evaluated by Directors, at least once a year, and discussed/followed up on.
2. The Chief Executive Officer shall have the following roles and responsibilities, among others:
- (i) Determine the Corporation's strategic direction, and formulate, as well as implement, its strategic plan/direction of the business;
  - (ii) Communicate and implement the Corporation's vision, mission and overall strategy;
  - (iii) Oversee the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;
  - (iv) Possess good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
  - (v) Direct, evaluate and guide the work of the key officers of the Corporation;
  - (vi) Manage the Corporation's resources prudently and ensures a proper balance of the same;
  - (vii) Provide the Board with timely information and interfaces between the Board and the employees; and
  - (viii) Build the corporate culture and motivates the employees of the Corporation.
3. If the Chairman of the Board is not an Independent Director or if the positions of Chairman and CEO are held by the same person, then the Board shall designate a Lead Director among the Independent Directors.
- The functions of the Lead Director, include, among others, the following:
- (i) Serve as an intermediary between the Chairman and other Directors when necessary;
  - (ii) Convene and chair meetings of the Non-Executive Directors; and
  - (iii) Contribute to the performance evaluation of the Chairman, as required.

### **C. 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:

- (i) Holder of at least one (1) share of stock of the Corporation;
- (ii) College graduate or has sufficient experience in business management to substitute for such formal education;
- (iii) At least twenty-one (21) years old;
- (iv) Proven to possess integrity and probity;
- (v) Is prudent;
- (vi) Has practical understanding of the business of the Corporation;
- (vii) Has membership in good standing in relevant industry, business or professional organizations, and
- (viii) Has previous business experience.

### **D. Disqualification of Directors**

#### **1. Permanent Disqualification**

The following shall be grounds for permanent disqualification of a Director:

- (i) 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;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission 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 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 Bangko Sentral ng Pilipinas (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;

- (iii) Any person finally convicted judicially of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or similar fraudulent acts or transgressions;
- (iv) Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or BSP;
- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- (vi) Any person judicially declared to be insolvent;
- (vii) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- (viii) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and
- (ix) Other grounds that the Commission may provide pursuant to the provisions of the Revised Corporation Code, Securities Regulation Code and other related laws.

## 2. Temporary Disqualification

Any of the following shall be a ground for the temporary disqualification of a Director:

- (i) Absence in more than fifty percent (50%) of all regular and special Board meetings during his incumbency, or any twelve (12) month period during said incumbency unless absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election. A Director, however, shall not be considered absent if he participates in the meetings via teleconferences;
- (ii) Dismissal/termination from for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to the dismissal/termination;
- (iii) If the beneficial equity ownership of an independent director in a corporation or its subsidiaries and affiliates exceed Two percent (2%) of its subscribed capital

stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with;

- (iv) If any of the judgements 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 said Director fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

## **E. Responsibilities, Duties and Functions of the Board**

### **1. General Responsibility**

It is the Board's responsibility to foster the long-term success of the Corporation and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives.

### **2. Duties and Functions**

To ensure a high standard of best practices for the Corporation, its stockholders and other stakeholders, the Board shall conduct itself with honesty, integrity and act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation, stockholders and other stakeholders.

The duties and functions of the Board are as follows:

- (i) Implement a process of selection of Directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- (ii) Ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions, individually and collectively, to enable it fulfill its roles and responsibilities and respond to the needs of the Corporation;
- (iii) Appoint competent, professional, honest and motivated management officers;
- (iv) Adopt and ensures a professional development program and an effective succession plan for Directors, Management and officers, including a policy on the retirement age for Directors, Management and key officers as part of management succession and to promote dynamism in the Corporation;
- (v) Provide strategic guidelines to the Corporation on major capital expenditures;
- (vi) Establish programs that can sustain the Corporation's long-term viability;

- (vii) Periodically evaluate and monitor the implementation of policies and strategies, including the business plans, operating budgets and Management's overall performance;
- (viii) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices;
- (ix) Establish and maintain a customer relations program that will keep the stockholders informed of important developments in the Corporation;
- (x) Identify the sectors in the community in which the Corporation operate or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- (xi) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision making and reporting process. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness;
- (xii) Identify key enterprise risk areas in the Corporation's operations, as well as its key performance indicators. These will be closely monitored with the help of Management to enable the Corporation to anticipate and prepare for possible threats to its operational viability;
- (xiii) Formulate and implement policies and procedures that would ensure the integrity and transparency of Related Party Transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and Directors, including their spouse, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- (xiv) Form an Audit Committee and other committees necessary to assist the Board in the performance of its duties and responsibilities;
- (xv) Establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including regulatory authorities;
- (xvi) Properly discharge Board functions by meeting regularly, or at least once a quarter. All meetings shall have proper minutes of the meeting;
- (xvii) Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation;
- (xviii) Elect a President, key officers, including a Compliance Officer; and
- (xix) Determine the Corporation's purpose, vision and mission and strategies to carry out its objectives.

## **F. Specific Duties and Responsibilities of a Director**

A Director shall act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress:

The duties and functions of a Director are as follows:

- (i) To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- (ii) To devote time and attention necessary to properly discharge his duties and responsibilities;
- (iii) To act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all stockholders;
- (iv) To act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision;
- (v) To exercise independent judgment;
- (vi) To have a working knowledge of the statutory and regulatory requirements affecting the Corporation and its operations, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- (vii) To observe confidentiality on non-public information acquired by reason of his position as a Director;
- (viii) To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

## **G. Internal Control Responsibilities of Board**

The minimum internal control mechanisms for management's operational responsibility shall be established by the CEO being ultimately accountable for the Corporation's organizational and procedural controls.

The Corporation shall have an independent internal audit function which shall be performed by an Internal Auditor, from whom the Board, Management, and stockholders are provided reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Corporation's Internal Auditor shall report to the Audit Committee.

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:

- (i) The nature and complexity of the business and the business culture;
- (ii) The volume, size and complexity of transactions;
- (iii) The degree of risk of certain transactions;

- (iv) The degree of centralization and delegation of authority;
- (v) The extent and effectiveness of information technology; and
- (vi) The extent of regulatory compliance.

## **H. Related Party Transactions Policy**

The Board, through the Audit Committee, has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions, particularly those that pass certain thresholds of materiality in relation to the Corporation's asset size.

Directors with material interest in any transaction that affects the Corporation or any of its subsidiaries are to disclose their interest and strictly abstain from taking part in the deliberations for the same, and recuse from voting on the approval of transaction.

The assessment of these transactions includes the appropriate review and approval of material or significant related party transactions to guarantee fairness and transparency of these transactions. The policy should encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

The assessment of related party transactions shall be taken up during the meetings of the Audit Committee which will then report its findings to the Board by providing the Board the minutes of the Audit Committee meetings. The assessment of related party transactions shall take into account:

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 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.

## **I. Training of Directors**

First time Directors may undergo an eight (8)-hour orientation program to ensure that they are appropriately apprised of their duties and responsibilities before beginning their directorships. The orientation program shall cover SEC-mandated topics on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, By-laws and Code of Conduct.

A four (4)-hour relevant continuing training for all Directors may be conducted, once every two (2) years or as determined by the Board, to make certain that Board members are continuously informed of the developments in the industry and regulatory

environments. The training shall involve courses on corporate governance, compliance, internal controls, risk management, sustainability and strategy.

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

The members of the Board, including Independent Directors, should attend its regular and special meetings in person or through teleconference conducted in accordance with the rules and regulations of the Commission.

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

#### **K. Remuneration of Directors and Officers**

The Corporation may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual Directors and officers that are aligned with the long-term interests of the Corporation. The Corporation shall, as a rule, formulate and adopt policies specifying the relationship between remuneration and performance. Directors should not participate in discussions or deliberations involving his own remuneration.

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

To protect the funds of the 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.

#### **L. Assessment of the Board**

The Board, through the Corporate Governance Committee, shall conduct an annual assessment of the Board's performance, the performance of the Chairman, individual Directors, and the board committees.

#### **M. Board Ethics**

The Board shall adopt a Code of Business Conduct and Ethics that provides standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings.

The Code shall properly be disseminated to management and employees. It should also be disclosed and made available to the public through the Corporation's website. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

## **N. Board Committees**

To aid in complying with the principles of good corporate governance, the Board shall constitute proper committees. These committees are:

### **1. Corporate Governance Committee**

The Corporate Governance Committee shall be composed of three (3) members, the majority of whom are Independent Directors, including the committee's Chairperson. It is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It shall have the following duties and functions:

- a. Oversee the implementation of the corporate governance framework and periodically review this framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board, individual Directors, board committees, Management, and conducts an annual self-evaluation of its performance;
- c. Ensure that the results of the periodic performance evaluation of the Board, individual Directors, board committees, Management are shared, discussed and that action plans are developed/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 policies are reviewed and updated regularly, and consistently implemented;
- f. Propose and plan relevant trainings for the members of the Board;
- g. Determine the nomination and election process for the Directors, including Independent Directors;
- h. Define the general profile of Directors the Corporation may need, ensuring that Directors have competencies and expertise that complement the existing skills of current Board members, and;
- i. Pre-screen and shortlist all candidates nominated to become a member of the Board by considering the guidelines herein set forth.

In determining the number of concurrent directorships that a Director may have, the Committee shall consider the following:

- (i) Nature of the business of the company of which he is a Director;
- (ii) Number of directorships, active memberships and officerships in other companies or organizations, and;

- (iii) Such other factors that the Committee may consider from time to time.

The optimum number shall be related to the capacity of a Director to perform his duties diligently in general.

The Executive Directors, Independent Directors and Non-Executive Directors shall submit themselves to a low indicative limit on membership in other corporate boards of listed companies other than the subsidiaries of the Corporation. The same low limit shall apply to Independent, Non-Executive Directors who serve as full time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

## 2. Audit Committee

The Audit Committee shall be composed of at least three (3) Non-Executive Directors, the majority of whom, including the Chairperson of the committee, should be an Independent Director. The Chairperson of the Committee should not be the Chairman of the Board or of any other committee. Each member shall have adequate understanding or competence of the Corporation's financial management systems and environment.

Duties and responsibilities:

- a. Assist the Board in the performance of its oversight responsibility for the Corporation's financial reporting process, system of internal control, internal and external audit process and monitoring of compliance with applicable laws, rules and regulations;
- b. Reviews and approves the audit scopes of the internal and external audits for the year;
- c. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission;
- d. Through the Internal Auditor, monitors and evaluates the adequacy and effectiveness of the firm's internal control system, integrity of financial reporting, and security of physical and information assets;
- e. Performs oversight functions over the firm's Internal and External Auditors to ensure their independence and unrestricted access to all records, properties and personnel needed for their respective audit functions;
- f. Monitors Management's responsiveness to the Internal Auditor's findings and recommendations as needed;
- g. Conducts an annual evaluation of the Committee's performance;

- h. Reviews and approves regular and special reports like:
  - (i) Monthly unaudited financial statements prior to submittal to the Board;
  - (ii) Reports on modifications in accounting policies and practices if any;
  - (iii) Exception reports when applicable;
  - (iv) In the absence of a Related Party Transaction Committee, the Audit Committee ensures, through the Internal Auditor, that appropriate disclosures and information on material related party transactions are provided to the Board.

## **O. The Corporate Secretary**

The Corporate Secretary is an officer of the Corporation and should be a Filipino citizen. Considering his varied functions and duties, he must possess administrative and interpersonal skills. The Corporate Secretary's duties and responsibilities are:

1. Assist the Board and the Board Committees in the conduct of their meetings (i.e., agenda settings, preparation of annual schedule of meetings and board calendar)
2. Safekeep and preserves the integrity of the minutes of the meetings of the Board of Directors, Board Committees and Stockholders, 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 advises the Board and the Chairman on all relevant issues as they arise;
4. Work fairly and objectively with the Board, Management, stockholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its stockholders and stakeholders;
5. Advises on the establishment of board committees and their terms of reference;
6. Inform Directors, in accordance with the By-Laws, of the date and agenda of their meetings, at least five (5) business days before the date of the meeting, and ensures that the Directors have accurate information to allow them to make intelligent decisions on matters that are taken up in the meeting;
7. Serve as an adviser of the Board and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
8. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him or her from attending;
9. Oversee the drafting of the Corporation's By-Laws, and any required amendments, and ensures that it conforms with regulatory requirements; and
10. Perform such other duties and responsibilities as may be provided by the Board and the Commission.

## **P. The Compliance Officer**

To ensure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer who should have a rank of, as far as practicable, a Senior Vice President or equivalent position, with stature and authority in the Corporation. The Compliance Officer shall have reporting responsibilities to the Board. He shall have the following duties:

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 relevant laws, the Code, rules and regulations and all governance issuances of regulatory agencies;
3. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
4. Ensure the integrity and accuracy of all documentary and electronic submissions as may be allowed under the Commission's rules and regulations;
5. Appear before the Commission upon summon on matters relating to the Corporation's compliance with this Manual, the Code and such other laws, circulars, rules and regulations issued in relation thereto;
6. Collaborate with other departments within the Corporation to properly address compliance issues, which may be subject to investigation;
7. Identify possible areas of compliance issues and works towards the resolution of the same;
8. Ensure the attendance of Directors and key officers to relevant trainings; and
9. Perform such other duties and responsibilities as may be provided by the Board and the Commission.

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

## **Article 6: ADEQUATE AND TIMELY INFORMATION**

To enable the Directors to properly fulfill their duties and functions, Management should provide complete and timely information about the matters to be taken-up in Board meetings.

However, there may be times when relying on information volunteered by Management is not sufficient, thus further inquiries may need to be made by Directors to enable them to properly perform their duties and functions. In this regard, Directors are ensured to have independent access to Management, officers and personnel.

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

## **Article 7: ACCOUNTABILITY AND AUDIT**

- A) The Board is primarily accountable to the stockholders. It shall then provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a yearly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, Management shall provide all Directors with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

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

- (i) 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;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the Corporation's assets for the benefit of all stockholders and other stakeholders;
- (iii) On the basis of approved audit plans, internal audit examinations shall 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;
- (iv) The Corporation shall consistently comply with the financial reporting requirements of the Commission;
- (v) An External Auditor shall set an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The External Auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee and rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, shall be changed with the same frequency.

The Internal Auditor shall submit to the Audit Committee and to Management an annual report on his activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant enterprise risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.

- B) The Board, after consultation with the Audit Committee, shall recommend to the stockholders an External Auditor, duly accredited by the Commission, who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

The External Auditor shall not, at the same time, provide internal services to the Corporation. Non-audit work may be given to the External Auditor, provided it does not conflict with its duties as an independent auditor, nor pose a threat to its independence.

If the External Auditor resigns, is dismissed or ceases to perform its services to the Corporation, the reason/s for the resignation, dismissal or cessation from service and the date thereof, shall be reported in the Corporation's annual and current reports. This report shall include a discussion of any disagreement with said External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be provided by the Corporation to the External Auditor before its submission to the Commission. If said 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 their engagement is incorrect or incomplete, they shall give their comments or views on the matter in the said report.

#### **Article 8: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS INTERESTS**

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

##### **A) Voting Rights**

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings. The stockholders should be encouraged to personally attend such meetings. In case the stockholder cannot attend the annual and/or special stockholders' meetings, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the Corporation's by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.

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

##### **B) Power of Inspection**

All stockholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries in accordance with the Corporation Code. They shall also be furnished with annual reports, financial statements without cost or restrictions. Provided that, such right may be denied by the Board if the requesting stockholder improperly used information secured from prior examination, or is not acting in good faith, or does not have a legitimate purpose for inspecting the records, or if the Board determined it necessary to safeguard the rights and legitimate interest of the Corporation such as when the records to be inspected contain sensitive or confidential information or are covered by a confidential or non-disclosure obligation which will be breached by the Corporation if such records were made available for inspection.

C) Right of Information

Stockholders shall be provided, upon request, with pertinent information about the Directors and officers, as well as other matters like their holdings of the Corporation's shares, and the aggregate compensation of Directors and officers.

Subject to the provisions of the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof and the By-Laws, the minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. The determination of whether any proposed item in the agenda of the proposed meeting is for a legitimate business purpose shall rest solely upon the discretion of the Board.

D) Right to Dividends

Stockholders with cumulative fixed dividend feature, as of the record date fixed by the Board in the resolutions declaring dividends on such shares, shall have the right to receive dividends subject to the discretion of the Board and in accordance with the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof of the Articles of Incorporation.

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

E) Appraisal Right

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 80 of the Revised Corporation Code of the Philippines, under any of the following circumstances:

- (i) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (ii) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (iii) In case of merger or consolidation; and
- (iv) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

It shall be the duty of the Directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of

their rights. Directors shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms.

F) Alternative Dispute Resolution

The Board, through the Corporate Governance Committee, shall make available, at the option of a stockholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

G) Corporate Relations Office

The Board shall establish a Corporate Relations Office (CRO) tasked to receive feedback, complaints and queries from stockholders and assure their active participation in activities and policies of the Corporation. The CRO shall have a designated customer relations officer, email address and telephone number to ensure constant engagement with stockholders. The corporate relations officer should be present in every meeting of the stockholders.

**Article 9: MATERIAL & REPORTABLE NON-FINANCIAL AND SUSTAINABILITY ISSUES**

The Corporation shall emphasize the importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow while contributing to the advancement of the areas/society it operates in.

The Corporation shall ensure that material and reportable sustainability and non-financial issues like the management of economic, environmental, social and governance (EESG) issues are discussed by the Corporate Governance Committee and disclosed in the Annual Stockholders' Meetings

**Article 10: EMPLOYEE PARTICIPATION**

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance.

Such policies and programs shall cover, among others, the following:

- (i) health, safety and welfare;
- (ii) training and development;
- (iii) reward/compensation for employees; and
- (iv) anti-corruption policy

A suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation, shall also be established by the Board. This framework shall allow employees direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

These policies and programs shall be disseminated to employees across the organization through trainings to embed them in the Corporation's culture.

#### **Article 11: MONITORING AND ASSESSMENT**

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

#### **Article 12: DISCLOSURE AND TRANSPARENCY**

The Board shall establish corporate disclosure policies that ensure comprehensive, accurate, reliable and timely reports to stockholders and stakeholders that give a fair, complete picture of the Corporation's financial condition and business operations. Directors and officers are required to disclose to the Board any dealings on the Corporation's shares within five business days from the date of such transaction.

#### **Article 13: REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer or his alternate.

All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of Directors and changes to ownership.

Other information that shall always be disclosed includes remuneration (including stock options) of all Directors and senior management, corporate strategy, and off-balance sheet transactions.

#### **Article 14: TRAINING PROCESS**

If necessary, funds shall be allocated by the Chief Financial Officer or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

#### **Article 15: COMMUNICATION PROCESS**

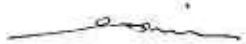
This Manual shall be available for inspection by any stockholder or employee of the Corporation at reasonable hours on business days subject to such express limitations provided by the Corporation and other relevant laws, circulars, rules and regulations.


All Directors, officers, 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.

MAR 29 2023

Adopted by the Board of Directors on the \_\_\_ day of \_\_\_\_\_ 2023 at Makati City, Metro Manila, Philippines.

  
ALFREDO B. PARUNGAO  
Chairman

  
ESMEGARDO S. REYES  
Compliance Officer

  
ATTY. ROBINSON O. VINAS  
Corporate Secretary