



**MANUAL ON  
CORPORATE GOVERNANCE  
OF**

**FLUXION, INC.  
[XELEB TECHNOLOGIES INC.]**

## TABLE OF CONTENTS

<b>ARTICLE I: Definitions and Interpretation</b> .....	<b>4</b>
1. Defined Terms.....	4
2. Interpretation.....	6
<b>ARTICLE II: GOVERNANCE</b> .....	<b>7</b>
1. The Board of Directors.....	7
2. Board Committees.....	17
<b>ARTICLE III: MANAGEMENT</b> .....	<b>23</b>
1. General Responsibilities of Management.....	23
2. Executive Officers of the Company.....	23
<b>ARTICLE IV: GOVERNANCE SELF-RATING SYSTEM</b> .....	<b>28</b>
<b>ARTICLE V: GOVERNANCE POLICY ON CONFLICT OF INTEREST</b> .....	<b>29</b>
<b>ARTICLE VI: AUDIT AND COMPLIANCE</b> .....	<b>31</b>
1. Internal Audit.....	31
2. External Audit.....	31
3. Compliance System.....	32
<b>ARTICLE VII: COMMUNICATION AND INFORMATION</b> .....	<b>34</b>
1. Management’s Responsibility for Information.....	34
2. The Investor Relations Function.....	34
3. Communication of this Manual.....	35
<b>ARTICLE VIII: STOCKHOLDERS’ RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS’ INTEREST</b> .....	<b>36</b>
1. Stockholders’ Right and Protection.....	36
2. Commitment to Respect Stockholders’ Rights.....	36
<b>ARTICLE IX: PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL</b> .....	<b>40</b>
<b>ARTICLE X: REVIEW AND AMENDMENT OF MANUAL</b> .....	<b>41</b>
<b>ARTICLE XI: ADOPTION AND EFFECTIVITY</b> .....	<b>42</b>

The Board of Directors of Fluxion, Inc. [Xeieb Technologies Inc.] approved this Manual on Corporate Governance (the “Manual”) on October 3, 2016. The structures and processes set forth in this Manual, as well as in the Company’s Articles of Incorporation and By-laws, in conjunction with the Company’s commitment to the governance principles of transparency, accountability, fairness and integrity, form the basic framework of governance by which the Company’s Board of Directors, officers, executives and employees shall observe in achieving the Company’s objectives, to create value for all its stakeholders and sustain long term viability.

## ARTICLE I: Definitions and Interpretation

### 1. Defined Terms

The following terms used in this Manual are defined below:

<b>Articles of Incorporation</b>	Articles of Incorporation of the Company and all amendments thereto
<b>Board of Directors/ Board</b>	the governing body elected by the stockholders that exercises the powers of the Company, conducts all businesses, and controls its properties
<b>Board Committee</b>	Any or all of the following Committees mandated to carry out specific functions, programs or projects assigned by the Board of Directors: <ul style="list-style-type: none"><li>a. Executive Committee</li><li>b. Compensation and Remuneration Committee</li><li>c. Nomination Committee</li><li>d. Audit and Risk Committee</li><li>e. And such other Committees that the Board of Directors may constitute from time to time</li></ul>
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>By-Laws</b>	By-Laws of the Company and the amendment/s thereto
<b>President</b>	President of the Company
<b>Chairman</b>	Chairman of the Company's Board of Directors
<b>Code</b>	SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the "Revised Code of Corporate Governance"
<b>Commission</b>	Securities and Exchange Commission
<b>Company</b>	Xeleb Technologies Inc. (formerly Fluxion, Inc.) <sup>1</sup>
<b>Corporate Governance</b>	the framework of rules, systems and processes in the Company that governs the performance of the Board of Directors and Management of their respective duties

---

<sup>1</sup> The Company is currently in the process of securing approval from the Philippine Securities and Exchange Commission for change of its corporate name from Fluxion, Inc. to Xeleb Technologies Inc.

and responsibilities to the Company's stockholders and other stakeholders, which include, among others, customers, employees, suppliers, financiers, and the government and community in which it operates.

<b>Corporation Code</b>	Batas Pambansa Blg. 68 otherwise known as the "Corporation Code of the Philippines"
<b>Director</b>	a duly elected member of the Company's Board of Directors
<b>Exchange</b>	Philippine Stock Exchange
<b>Executive</b>	Company's officers with a rank of Manager up to Senior Manager
<b>Internal Control</b>	the system established by the Board of Directors and Management for the accomplishment of the Company's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules
<b>Internal Control System</b>	the framework under which the internal controls are developed and implemented (alone and in concert with other policies or procedures) to manage and control a particular risk, cost or business activity, or combination of risks or business activities to which the Company is exposed
<b>Internal Audit Department</b>	an independent and objective assurance activity designed to add value to and improve the Company's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes
<b>Internal Auditor</b>	the highest position in the Company responsible for internal audit activities. If internal audit activities are performed by outside service providers, the Internal Auditor is responsible for overseeing the service contract, the overall quality of these activities, and monitoring the engagement results
<b>Management</b>	the general body authorized by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Company

<b>Manual</b>	this Manual on Corporate Governance, as may be amended from time to time
<b>Officers</b>	officers of the Company from the rank of Assistant Corporate Secretary up to Chairman of the Board, as defined by the Company's By-Laws
<b>Securities Code</b>	Republic Act No. 8799, otherwise known as the "Securities Regulation Code"
<b>Senior Management</b>	otherwise known as "Executive Management", or the individuals at the highest level of organizational management are responsible for the day-to-day management of the Company. They hold specific executive powers conferred to them by the Board of Directors and stockholders. They have the highest level of responsibility in the Company, with a position not lower than Vice-President.
<b>Year</b>	calendar year

## **2. Interpretation**

- 2.1 Unless the context otherwise requires, words in the singular include the plural, and vice versa; and words importing any gender include all genders.
- 2.2 A reference to a statute or provision shall be construed as a reference to that statute or provision as amended, modified, or re-enacted.
- 2.3 The headings in this Manual are inserted solely for convenience of reference and do not limit or affect the interpretation of the provisions.
- 2.4 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 Company.
- 2.5 In case of conflict between the terms and provisions of this Manual with that of the Articles of Incorporation and By-laws, the terms and provisions of the latter shall prevail.

## **ARTICLE II: GOVERNANCE**

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

The Board of Directors is primarily responsible for the governance of the Company. Corollary to setting the strategies and policies to accomplish the corporate objectives, the Board of Directors shall provide an independent check on Management and shall likewise review and comment on the strategic directions identified by Management.

As part of its obligation to the Company's stockholders, the Board of Directors shall provide a balanced and comprehensible assessment of the Company'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. It is therefore necessary for the Management to provide the members of the Board of Directors with accurate and timely information that will enable the Board of Directors to comply with its responsibilities to its stockholders.

#### **1.1 Composition**

The Board of Directors shall have seven (7) Directors, two (2) of which shall be Independent Directors. These directors shall be elected by the Company's stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year and until their successors are elected and qualified.

#### **1.2 Qualifications**

A member of the Board of Directors must possess the following qualifications:

- 1.2.1 Ownership of at least one (1) share of the capital stock of the Company;
- 1.2.2 A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;
- 1.2.3 Relevant qualification, such as previous business experience, membership in good standing in relevant industry, and membership in business or professional organization; and
- 1.2.4 Integrity, probity, diligence and assiduousness in the performance of his function/s.

#### **1.3 Grounds for Permanent Disqualification of Directors**

The following are disqualified from being a director of the Company:

- 1.3.1 Any person engaged in any business that competes with or is antagonistic to that of the Company's business. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
  - 1.3.1.1 If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in any business which the Board of Directors, by at least two-thirds (2/3) vote, determines to be competitive or antagonistic to that of the Company;
  - 1.3.1.2 If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other Company or entity engaged in any line of business of the Company, when in the judgment of the Board of Directors, by at least two-thirds (2/3) votes, the law against combination in restraint of trade shall be violated by such person's membership in the Board of Directors; or
  - 1.3.1.3 If the Board of Directors, in the exercise of its judgment in good faith, determines by at least two-thirds (2/3) vote that such person is the nominee of any person set forth in the preceding paragraphs.
- 1.3.2 Any person convicted by final judgment of an offense involving moral turpitude, fraud, embezzlement, theft, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or similar fraudulent acts or transgressions;
- 1.3.3 Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election as Director;
- 1.3.4 Any person judicially declared to be insolvent;
- 1.3.5 Any person who has been convicted by final judgment or order by a competent judicial or administrative body of any of the following:
  - 1.3.5.1 Any crime involving the purchase or sale of securities, as defined in the Securities Code;
  - 1.3.5.2 Any crime arising out of such 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

- 1.3.5.3 Any crime arising out of such person's fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.
- 1.3.6 Any person who, by reason of any misconduct, after hearing or trial, is permanently enjoined by final judgment or order of the Commission or any court or administrative body of competent jurisdiction from any of the following:
  - 1.3.6.1 Acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker;
  - 1.3.6.2 Acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company; or
  - 1.3.6.3 Engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs 1.3.1.1 and 1.3.1.2 above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply when such person is currently the subject of an effective order of the Commission or any court or other administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Code, or any others law administered by the Commission or BSP, or under any rule or regulation issued by the Commission or BSP, or has been otherwise 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 from membership, participation or association with a member or participant of the organization;

- 1.3.7 Any person found guilty by final judgment of a foreign court or financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the preceding clause;
- 1.3.8 Any person who has previously committed patently unlawful acts and other acts deemed inimical to the reputation and interest of the Company, its subsidiaries or affiliates;
- 1.3.9 Any person who has committed acts causing undue injury to the Company, its subsidiaries or affiliates, or committed acts causing injury to another corporation while acting as an officer or director;
- 1.3.10 Any person who previously committed gross negligence or bad faith in directing the affairs of another corporation where he served as an officer or director;
- 1.3.11 In case of independent directors:

- 1.3.11.1 When he becomes an officer, employee, or consultant of the Company; and
- 1.3.11.2 The additional grounds for disqualification under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Code;
- 1.3.12 Any person who is disqualified by such other grounds for disqualification of directors as may be provided by law and applicable regulations, including those provided for under the Corporation Code, Securities Code, as well as those that may be approved by the Board of Directors.

For purposes of the foregoing grounds, the term “subsidiary” shall mean a corporation or entity in which the Company, directly or indirectly, owns, controls or has the power to vote at least a majority of the shares or interests. Likewise, the term “affiliate” as used in these preceding paragraphs means a corporation or entity in which the Company directly or indirectly owns, controls or has the power to vote at least ten percent (10%) but not more than fifty percent (50%) of the shares or interests.

Further, the Board of Directors may take into account such factors as business, professional and family relationships in determining whether or not a person is engaged in a business or activity that competes with or antagonistic to that of the Company or any of its subsidiaries’ or affiliates’ business, or if he is a controlling person, beneficial owner, or the nominee of another, or if he suffers from the foregoing disqualifications.

#### **1.4 Grounds for Temporary Disqualification of the Directors**

An incumbent director shall be temporarily disqualified to assume his position due to any of the following grounds:

- 1.4.1 Refusal to fully disclose the extent of his business interest as required under the Securities Code and its Implementing Rules and Regulation. This disqualification shall be in effect as long as his refusal persists;
- 1.4.2 Absence or non-participation for whatever reason in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors, during his incumbency, or any twelve (12) month period during said incumbency, unless his absence is due to illness, death of a member of his immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- 1.4.3 Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity or infraction that gave rise to his dismissal or termination;
- 1.4.4 Being under preventive suspension by the Company for any reason; and

- 1.4.5 Conviction that has not yet become final due to any of the acts referred to in the grounds for permanent disqualification of directors.

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 within the said period without any justifiable reason, his disqualification shall become permanent.

## **1.5 Selection/Appointment/Re-appointment of Directors**

- 1.5.1 All nominations for the election of directors by the stockholders shall be submitted in writing to the Nomination Committee at least thirty (30) days before the scheduled date of the Annual Stockholders' Meeting.
- 1.5.2 Only nominees whose names appear on the final list of candidates are eligible for election as directors.
- 1.5.3 No nominations will be entertained or allowed during the Annual Stockholders' Meeting.
- 1.5.4 The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and have qualified.

## **1.6 Independent Directors**

Independent directors must be independent of management and, apart from their fees and shareholdings, are free from any business or other relationship with the Company, which will or will reasonably be perceived to materially interfere with their exercise of independent judgment in carrying out their responsibilities.

An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interest affiliated with the Company, management or controlling shareholder at the time of his election, appointment and/or re-election as a director. An independent director includes, among others, one who:

- 1.6.1 Is not an existing director, officer, executive or employee of the Company or of any of its related companies or substantial shareholders (other than as an Independent Director of any of the foregoing);
- 1.6.2 Does not own more than two (2%) of the shares of the Company and/or any of its related companies or substantial shareholders. Should an independent director's beneficial security ownership in the Company or in its related companies exceed two percent (2%), the Company shall cease to consider him as an independent director until the beneficial security ownership of said director is reduced to two percent (2%) or lower;

- 1.6.3 Is not a relative of any director, officer, executive or substantial shareholder of the Company, or any of its related companies or substantial shareholders. For this purpose, the term “relatives” includes spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- 1.6.4 Is not acting as a nominee or representative of any director, officer, executive or substantial shareholder of the Company or any of its related companies or substantial shareholder;
- 1.6.5 Has not been employed in any executive capacity by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years immediately preceding the date of his election as an independent director;
- 1.6.6 Is not retained or, within the last two (2) years from his election as an independent director, has not been retained as a professional adviser by the Company or any of its related companies or substantial shareholders, either personally or through his firm; or
- 1.6.7 Has not engaged and does not engage in any transaction with the Company or with any of its related companies or substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, except for transactions which are conducted at arm’s length and/or are immaterial.

When used in relation to the foregoing paragraphs, “related company” means another corporation that is the Company’s holding company or subsidiary, or another subsidiary of the Company’s holding company; and “substantial shareholder” means any other person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company’s equity security.

Independent Directors can serve as such for five (5) consecutive years, with a total term limit of nine (9) years from the date of first appointment. After the completion of the five-year service period, an Independent Director shall be ineligible for election as such unless the Independent Director has undergone a “cooling off”<sup>2</sup> period of two (2) years. Further, persons appointed as Chairman Emeritus, Ex-officio Chairman/Director/Officer/Member of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities shall be subject to a one (1) year “cooling-off” period” prior to his qualification as an Independent Director.

During the cooling off period, the Independent Director should not have been engaged in any activity that disqualifies a person from being elected as an Independent Director as stated in this Manual, existing laws, and rules and regulations issued by the Commission.

---

<sup>2</sup> SEC Circular No. 9 Series of 2009.

## **1.7 Policy on Multiple Board Seats**

A director shall exercise due discretion in accepting and holding directorships outside of the Company. A director may hold any number of directorships outside of the Company provided that these other positions do not detract from said director's capacity to diligently perform his duties as a director of the Company. This policy does not cover directorships in the Company's subsidiaries and affiliates as well as the subsidiaries and affiliates of such companies.

The Board of Directors may provide a maximum number of memberships of its directors in other boards.

## **1.8 Board Meetings and Quorum Requirements**

Each Member of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the Commission.

## **1.9 General Responsibility of the Board of Directors for Good Governance**

1.9.1 The director's office is one of trust and confidence. A director should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. Moreover, he should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.

1.9.2 Compliance with the principles of good governance shall start with the Board of Directors. It shall be the Board of Directors' responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders and other stakeholders.

1.9.3 To ensure good governance of the Company, the Board of Directors should formulate the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

1.9.4 Consistent with his three-fold duty of obedience, diligence and loyalty to the Company, each Director shall:

1.9.4.1 Act within the scope of power and authority of the Company and the Board of Directors, as prescribed in the Company's Articles of Incorporation, By-Laws and in existing laws, rules and regulations;

1.9.4.2 Exercise his best care, skill and judgment, and observe utmost good faith in the conduct and management of the business and affairs of the Company; and

- 1.9.4.3 Act in the best interest of the Company and for the common benefit of the Company's stockholders and other stakeholders.

## **1.10 Specific Duties of the Board of Directors**

To ensure that the Company observes high standard of governance practices, and to promote and protect the interest of the Company, its stockholders and other stakeholders, the Board of Directors shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- 1.10.1 Establishment and implementation of a process of selection to ensure a mix of competent Directors and Officers, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies and adopt an effective succession planning program for Management;
- 1.10.2 Electing the President and other officers of the Company;
- 1.10.3 Adopting a professional development program for officers of the Company and succession planning for the Company's Corporate Executives;
- 1.10.4 Determination or validation of the Company's purpose, vision, mission and strategies to carry out its objectives;
- 1.10.5 Ensuring that the Company complies with all relevant laws, rules and regulations, and codes of best business practices;
- 1.10.6 Identifying the Company's stakeholders in the community in which it operates or those that are or may be directly affected by its operations, and formulating a clear policy of accurate, timeline and effective communication with them through an effective investor relations program;
- 1.10.7 Adopting a system of internal checks and balances and regularly evaluating the applicability thereof under changing conditions;
- 1.10.8 Identifying key risk areas and key performance indicators and monitoring these factors with due diligence;
- 1.10.9 Ensuring the continuing soundness, effectiveness and adequacy of the Company's internal control environment;
- 1.10.10 Properly discharging its functions by meeting regularly and giving due consideration to the independent views during Board of Directors' meetings, which meetings should be duly recorded in the minutes;
- 1.10.11 Continually engaging in discussions of strategic business issues;

- 1.10.12 Ensuring that it functions within the powers of said body, as prescribed in the Articles of Incorporation, By-Laws, and in existing rules and regulations;
- 1.10.13 Approving items that are reserved for its approval, such as, but not limited to:
- 1.10.13.1 Annual Reports and Financial Statements
  - 1.10.13.2 Dividends
  - 1.10.13.3 Financial Policies
  - 1.10.13.4 Budget
  - 1.10.13.5 Retirement Plan
  - 1.10.13.6 Safety/Asset Integrity Matters
- 1.10.14 Adopting a professional development program for the Company's employees and officers, and succession planning for senior management and other key positions in the Company;
- 1.10.15 Providing sound strategic policies and guidelines on key capital expenditures, establishing programs that can sustain the Company's long-term viability and strength, and periodically evaluating and monitoring the implementation of such policies and strategies, including business plans, operating budgets and Management's overall performance;
- 1.10.16 Ensuring that the Company complies with all relevant laws, regulation, and as far as possible, best business practices;
- 1.10.17 Formulating and implementing policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parent, and that of interlocking relationships by any member of the Board of Directors;
- 1.10.18 Establishing rules for an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including regulatory authorities;
- 1.10.19 Appointing a Compliance Officer who shall have a rank of at least a vice-president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer;
- 1.10.20 Constituting an Audit Committee and such other committees it deems necessary to assist in the performance of the Board of Directors' duties and responsibilities; and
- 1.10.21 Performing such other functions that may be required under existing laws, issuances and regulations.

## **1.11 Specific Responsibilities of each Director**

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

- 1.11.1 Conduct business transactions with the Company fairly, ensuring that personal interest does not affect his and the Board of Directors' independent judgment;
- 1.11.2 Devote time and attention necessary to properly discharge his duties and responsibilities. A director should attend and actively participate in Board of Directors' meetings;
- 1.11.3 Act judiciously on matters brought before the Board of Directors, thoroughly evaluating the issues involved, asking questions and seeking clarifications as appropriate, before making any decision;
- 1.11.4 Exercise independent judgment. A director should review each problem or situation objectively and support plans and ideas that he believes are beneficial to the Company;
- 1.11.5 Have a working knowledge of the statutory and regulatory requirements affecting the Company. This includes a firm knowledge of the Company's Articles of Incorporation, By-Laws, the requirements of the Exchange and the Commission in the conduct of the Company's business, and where applicable, the requirements of the other regulatory agencies that have jurisdiction over the Company. A director should also keep abreast with industry developments and business trends in order to promote the Company's competitiveness;
- 1.11.6 Observe confidentiality on non-public information acquired by reason of his position as a Director. He should not disclose any information to any other person without the authority of the Board of Directors;
- 1.11.7 Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment. Each director is responsible for assuring that actions taken by the Board of Directors maintain the adequacy of the control environment within the Company; and
- 1.11.8 Prior to assuming office, attend a seminar on corporation governance, which shall be conducted by a recognized private or government institution. If necessary, the Company shall allocate funds for this purpose.

## **1.13 Compensation and Liability Insurance Coverage of Directors**

- 1.13.1. The Board of Directors shall determine a level of remuneration for the directors that shall be sufficient to attract and retain directors and compensate them to attend the meetings of the Board of Directors and any of its Committees, and

perform the responsibilities and assume certain risks as a member of said Board. The director's compensation, which may be in the form of cash remuneration and/or stock option plans, shall be fixed by way of a resolution of the Board of Directors. The Board of Directors may provide that only non-executive directors shall be entitled to such compensation.

1.13.2. From the effective date of this Manual, no director shall be involved in deciding his own remuneration during his incumbent term.

1.13.3. The Company, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

## **2. Board Committees**

### **2.1 List of Committees**

The Board of Directors shall be supported by the following committees:

- 2.1.1 Executive Committee
- 2.1.2 Compensation and Remuneration Committee
- 2.1.3 Nomination Committee
- 2.1.4 Audit and Risk Committee

The Board of Directors, however, may create such additional committees as it may deem necessary to support it in the performance of its functions and to aid in good governance with the purpose of ensuring the Company's compliance with the principles of sound corporate governance and in accordance with its By-Laws. Any such newly constituted Committee shall have such authority and responsibilities and shall perform such duties as the Board may prescribe.

The Committees shall likewise report to the Board of Directors in such manner as said Board may require.

### **2.2 Charter Requirement**

Each Committee shall have its own distinct charter, which shall define and govern, among other matters, the objectives, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedure for escalation to the Board of Directors of decisions of such Committee in accordance with this Manual and the Company's Articles of Incorporation and By-Laws.

The Board of Directors shall approve the respective Charters of the Committees. Any amendment, alteration or variation of any Committee's charter shall become effective only upon Board of Directors' action approving such amendment, alteration or variation.

Each Board Committee shall report or submit to the Board a summary of the actions taken by such Committee pursuant to the terms of their respective charters.

### **2.3 General Duties and Functions of Board Committees**

The general duties and functions of different Committees are set forth as a general guide in their respective operations, without prejudice to the promulgation of specific duties and internal committee protocols in their respective Charters duly-approved by the Board of Directors.

### **2.4 Executive Committee**

2.4.1 The Board of Directors shall appoint from among the directors the members of the Executive Committee, which shall have not less than three (3) members, a majority of whom shall be citizens of the Philippines. The Board of Directors shall likewise designate the Chairman from among the members of the Executive Committee. The proportion of non-Filipino nationals to citizens of the Philippines in the membership of the Executive Committee shall not at any time exceed the proportion that the number of shares of the Company held by aliens bears to the number of shares of the Company held by citizens of the Philippines as set forth in its Articles of Incorporation.

2.4.2 The Executive Committee, in accordance with the authority granted by the Board of Directors or during the absence of said Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Company's By-Laws, except with respect to:

2.4.2.1 Approval of any action for which shareholders' approval is also required;

2.4.2.2 The filling of vacancies in the Board of Directors or in the Executive Committee;

2.4.2.3 The amendment or repeal of By-Laws or the adoption of new By-laws;

2.4.2.4 The amendment or repeal of any resolution of the Board of Directors which by its terms is not so amendable or repealable;

2.4.2.5 The distribution of cash dividends; and

2.4.2.6 The exercise of powers delegated by the Board exclusively to other committees, if any.

A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee, which is within the scope of its powers, shall not require ratification or approval for its validity and effectively, provided, however, that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall

be subject to revision or alteration by the Board of Directors, provided that no rights or acts of third parties shall be affected by any such revision or alteration.

## **2.5 Compensation and Remuneration Committee**

The Compensation and Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director. It shall have the following duties and responsibilities:

- 2.5.1 Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration packages of corporate officers, directors, senior management and other key personnel, ensuring that their compensation is consistent with the Company's culture, strategy and control environment;
- 2.5.2 Designate the amount of remuneration that will attract and retain directors and officers who are needed to run the Company successfully;
- 2.5.3 Develop a form on Full Business Interest disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- 2.5.4 Ensure that no director shall be allowed to decide his own remuneration during his incumbent term;
- 2.5.5 Provide the Company's annual reports, information and proxy statements in a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the existing year;
- 2.5.6 Review the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; or
- 2.5.7 Cause the development of a Personnel Handbook, in the absence of any, covering the same parameters of governance stated above.

## **2.6 Nomination Committee**

The Nomination Committee shall be composed of at least three (3) members, including one (1) Independent Director. This Committee shall have the following functions:

- 2.6.1 Establish and maintain a process to ensure that each of the directors to be nominated for election at the next Annual General Stockholders' Meeting has the qualifications and none of the disqualifications stated in this Manual;
- 2.6.2 Encourage the selection of competent directors, each of whom can add value and create independent judgment with regard to the formulation of sound corporate strategies and policies; and
- 2.6.3 Review and evaluate the qualifications of all persons nominated to any position in the Company, which require appointment by the Board.

## **2.7 Audit and Risk Committee**

There shall be an Audit and Risk Committee composed of three (3) members, at least one (1) of whom shall be an Independent Director. The independent director shall be the Chairman of the Audit and Risk Committee. Each member of this Committee shall have an adequate understanding of accounting and auditing principles, in general, and of the Company's financial management systems and environment, in particular.

- 2.7.1 The Audit and Risk Committee is expected, through the provisions of checks and balances, to bring positive results in supervising and supporting the management of the Company. It shall have the following particular duties and responsibilities:
  - 2.7.1.1 Check all financial reports against the Company's compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
  - 2.7.1.2 Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include, among others, receiving from senior management periodic information on risk exposures and risk management activities;
  - 2.7.1.3 Be responsible for setting up an internal audit department and consider the appointment of the chief audit executive; establish and identify the reporting line of the chief audit executive so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit and Risk Committee;
  - 2.7.1.4 Ensure that internal auditors have free and full access to all the Company's records, properties and personnel relevant to and required by said auditors in the performance of their function. This Committee shall likewise ensure that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

- 2.7.1.5 Perform oversight functions over the Company's internal and external auditors;
- 2.7.1.6 Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- 2.7.1.7 Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- 2.7.1.8 Pre-approve all audit plans, scope and frequency before the conduct of external audit;
- 2.7.1.9 Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 2.7.1.10 Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following:
  - 2.7.1.10.1 A definitive timetable within which the accounting system of the Company will be compliant with International Accounting Standards; and
  - 2.7.1.10.2 An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task;
- 2.7.1.11 Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a handbook on procedures and policies that will apply to the entire organization;
- 2.7.1.12 Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that the management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
- 2.7.1.13 Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with the accounting standards, and compliance with tax, legal and stock exchange requirements;

- 2.7.1.14 Recommend and review the appointment of external auditors, their remuneration and their removal; and
- 2.7.1.15 Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in the relation to the Company's total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The annual report must include the amount of non-audit work.

The Internal Audit Group of the Company will support the Audit and Risk Committee in the rendition of its functions. The Audit and Risk Committee shall ensure that the chief internal executive shall be free from interference of outside parties in the performance of his work.

## **ARTICLE III: MANAGEMENT**

### **1. General Responsibilities of Management**

- 1.1 The Management is in charge of deciding on the day-to-day affairs of the Company. It shall determine the Company's activities by putting the Company's targets in concrete terms and formulating the basic strategies for achieving these targets. It is also tasked to form the infrastructure for the Company's success by creating the following mechanisms in its organization: i) legal and organizational structures that work effectively and efficiently in attaining the goals of the Company; ii) planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with the strategy and the business goals of the Company; and iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Company.
- 1.2 Management is primarily accountable to the Board of Directors for any matter in connection with the operations of the Company. As such, it is also obliged to, among others, provide the Board of Directors with complete and adequate information on the operations and affairs of the Company in a timely manner.

### **2. Executive Officers of the Company**

#### **2.1 Composition**

The Executive Officers of the Company are the Chairman, the Vice-Chairman, the President, the Chief Executive Officer, the Treasurer and/or Chief Finance Officer, and the Corporate Secretary, all of which shall be appointed by the Board of Directors. In addition to such:

- 2.1.1 The Board of Directors may appoint a Council or Board of Advisors composed of persons of integrity and reputation and who have distinguished themselves in the areas of business, industry, government and law; and
- 2.1.2 The roles of the Chairman and the President may be separable to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board of Directors for independent decision-making. The Company shall disclose the relationship between the Chairman and the President, if any, in its annual report to the Commission.

#### **2.2 Chairman of the Board**

The Chairman of the Board shall, when present, preside at all meetings of the Board of Directors and shall advise and counsel the President. He shall also perform the following functions:

- 2.2.1 Schedule meetings to enable the Board of Directors to perform its duties responsibly, without interfering with the flow of the Company's operations;

- 2.2.2 Ensure that the meetings of the Board are held in accordance with the By-laws of the Company or as the Chairman may deem necessary;
- 2.2.3 Supervise the preparation of the agenda of the meeting of the Board of Directors, in coordination with the Corporate Secretary and taking into consideration the suggestions of the Chief Executive Officer, Management and the Directors;
- 2.2.4 Exercise control over the quality, quantity and timeliness of the flow of information between Management and the Board of Directors; and
- 2.2.5 Assist in ensuring compliance with the Company's guidelines on corporate governance.

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

### 2.3 Vice Chairman

In the absence or inability of the Chairman, the Vice-Chairman shall preside at the meetings of the Board of Directors and assume the other functions of the Chairman.

### 2.4 **President / Chief Executive Officer ("CEO")**

Minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Company's organizational and procedural controls. The President/CEO shall:

- 2.3.1. Have general supervision over the business, affairs, and property of the Company, as well as its employees and officers;
- 2.3.2. See that all orders and resolutions of the Board of Directors are carried into effect;
- 2.3.3. Submit to the Board of Directors immediately after the close of each fiscal year, and to the stockholders during the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs; and
- 2.3.4. Report to the Board of Directors from time to time all matters within his knowledge, which the interest of the Company may require to be brought to said Board's notice.

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

## 2.5 **The Treasurer**

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

- 2.4.1. Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Company in such banks or trust companies or with such bankers or other depositories as the Board of Directors may designate from time to time;
- 2.4.2. Render an account to the President at least every quarter of the condition of the Company's funds and of all his transactions as such Treasurer;
- 2.4.3. Ensure that sufficient funds are available on a timely basis;
- 2.4.4. Optimize yields in temporary excess funds;
- 2.4.5. Provide relevant and timely capital market information; and
- 2.4.6. Ensure appropriate coverage and management of risk to resources.

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

## 2.6 **The Chief Finance Officer ("CFO")**

The Board of Directors shall appoint a Chief Finance Officer, who may also be the Treasurer of the Company and shall be responsible for the following:

- 2.5.1. Provide Management with accurate, relevant, timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
- 2.5.2. Maintain the integrity of accounting records as the basis of financial statements and reports provided to management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- 2.5.3. Ensure that the Company's Audited Financial Reports be released within sixty (60) days from the end of the fiscal year;
- 2.5.4. Promote investor confidence in the Company by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with; and
- 2.5.5. Strengthen internal controls by monitoring compliance with policies and recommend to Management appropriate actions and charges in systems and procedures as necessitated by circumstances.

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

## 2.7 **The Corporate Secretary**

The Corporate Secretary, who is a resident and citizen of the Philippines, shall be appointed by the Board of Directors. He must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have financial and accounting knowledge. The Corporate Secretary is expected to work fairly and objectively with the Board of Directors, the Management, the Company's stockholders and other stakeholders and shall:

- 2.6.1. Be loyal to the mission, vision and objectives of the Company;
- 2.6.2. Work fairly and objectively with the Board of Directors, Management, Stockholders and other stakeholders;
- 2.6.3. Have appropriate administrative and interpersonal skills;
- 2.6.4. Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities if he is not at the same time the Company's legal counsel;
- 2.6.5. Have a working knowledge of the operations of the corporation;
- 2.6.6. Inform the members of the Board of Directors of the agenda of their meetings in accordance with the By-laws, 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;
- 2.6.7. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- 2.6.8. Ensure that all Board of Directors procedures, rules and regulations are strictly followed by its members;
- 2.6.9. Perform all the duties and responsibilities of the said officer as provided for in the Code, if he is likewise appointed as the Compliance Officer;
- 2.6.10. Keep the minutes of the meetings of the stockholders, Board of Directors, the Executive Committee, and all other committees in a book kept for that purpose, shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;
- 2.6.11. Keep in safe custody the seal of the Company and affix it to any instrument requiring the same;

- 2.6.12. Have charge of the stock certificate book and such other books and papers as the Board of Directors may direct;
- 2.6.13. Attend to the giving and serving of notices of Board of Directors and shareholders' meetings;
- 2.6.14. Release notice of the Annual Stockholders meetings, at least twenty-eight (28) days before the said meeting;
- 2.6.15. Be fully informed and be part of the scheduling process of other activities of the Board of Directors;
- 2.6.16. Prepare an annual schedule of Board of Directors' meetings and the regular agenda of meetings, and put the Board of Directors on notice of such agenda at every meeting;
- 2.6.17. Oversee the adequate flow of information to the Board of Directors prior to its meetings; and
- 2.6.18. Ensure fulfillment of disclosure requirements to the Commission and the Exchange, if applicable.

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

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

#### **ARTICLE IV: GOVERNANCE SELF-RATING SYSTEM**

The Board of Directors hereby adopts an internal self-rating system that measures the performance of the Board of Directors, its members and Management in accordance with the criteria provided for in the Revised Code of Corporate Governance issued by the Commission. For proper implementation of the self-rating system, the following procedures and processes are hereby set forth shall be observed:

1. Each Board Committee shall report regularly to the Board of Directors.
2. The Compliance Officer shall formulate an evaluation system to determine and measure compliance with this Manual. To discourage violation thereof, sanction/s for non-compliance of any provision of this Manual shall be put in place. Any violation shall subject the officer or employee responsible to the penalties as provided in this Manual.
3. The adoption of such performance evaluation system must be approved by the Board of Directors.
4. This Manual shall be subject to regular review for such period and frequency as may be determined by the Board of Directors.
5. All business processes and practices being performed and carried out within any department or business division of the Company that are inconsistent with any portion of this Manual shall be revoked, unless improved so as to reach compliance level.

## **ARTICLE V: GOVERNANCE POLICY ON CONFLICT OF INTEREST**

The Company's Directors and Officers must hold the Company's interest supreme. Except for salaries and other employment benefits, they shall not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. They must promote the common interest of the Company and all its shareholders.

1. A conflict of interest exists when a director or an officer of the Company:
  - 1.1 Supplies or attempts to supply goods or services to the Company;
  - 1.2 Supplies or attempts to supply goods, services or information to an entity that competes with the Company;
  - 1.3 By virtue of his office, acquires or is attempts to acquire for himself a business opportunity that should belong to the Company;
  - 1.4 Is offered or receives consideration for delivering the Company's business to a third party; and
  - 1.5 Is engaged or attempts to engage in a business or activity which competes with or works contrary to the best interests of the Company.
2. Any actual or potential conflict of interest arises on the part of any director or officer shall be fully disclosed. The concerned director must not participate in the deliberation and voting on the action to be taken to address the conflict. A director or officer who has a continuing conflict of interest, which is of a material nature, should either resign or, if the Board of Directors deems appropriate, be removed from his position.
3. A contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all the following conditions are present:
  - 3.1 The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
  - 3.2 The vote of such director was not necessary for the approval of the contact;
  - 3.3 The contract is fair and reasonable under the circumstances; and
  - 3.4 In case of an officer, the contract has been previously approved by the Board of Directors.

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

at such meeting; and, provided further, that the contract is fair and reasonable under the circumstances.

4. Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, thereby obtaining profits to the prejudice of the Company, the director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture.
5. The foregoing is without prejudice to the Company's existing Rules or Code of Conduct for its officers, employees and staff.

## **ARTICLE VI: AUDIT AND COMPLIANCE**

### **1. Internal Audit**

- 1.1 The Internal Audit Group shall provide independent and objective assurance and advisory services to the Company designed to add value and improve on the organization's operations. It shall provide the Board of Directors, Management and the stockholders with reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate, and complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
- 1.2 It shall perform its auditing function faithfully by maintaining independence from the Management and controlling shareholders.
- 1.3 The Chief Audit Executive shall be the head of the Internal Audit Group. The Chief Audit Executive shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report to the Audit and Risk Committee of the Board of Directors.
- 1.4 The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing, otherwise, the Chief Audit Executive shall disclose to the Board and Management that it has not yet achieved full compliance with the standards of the professional practice of internal auditing.

### **2. External Audit**

- 2.1 The Board of Directors, through the Audit and Risk Committee, shall recommend to the stockholders a duly accredited external auditor which shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements are prepared and presented.
- 2.2 The External Auditor shall:
  - 2.2.1 perform fair audit independently from the Company, its Management and controlling shareholders, and other users that may maintain confidence in the Company's accounting information;
  - 2.2.2 check whether any fact contradicts the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
  - 2.2.3 attend the annual stockholders' meeting and answer any question on audit reports and itself, its work and remuneration;

- 2.2.4 perform such other functions as may be approved by the Board of Directors in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the function of the auditor as the Company's external auditor.
- 2.3 The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.
- 2.4 The reasons for the resignation, dismissal, or cessation from service of an external auditor and the date of effectivity of such resignation, dismissal, or cessation from service shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its reports.
- 2.5 If an external auditor believes that any statement made in annual reports, information statement or proxy statement filed during its engagement are incorrect or incomplete, it shall present its views on the matter in the said reports.

### **3. Compliance System**

To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer, who shall perform the following duties:

- 3.1 Operationalize this Manual and monitor compliance with the provisions and requirements of this Manual;
- 3.2 Appear before the Commission for any matters that the Commission may require clarification of;
- 3.3 Issue a certification every January 30<sup>th</sup> of the year on the extent of the Company's compliance with this Manual for the completed year, explaining the reasons for the latter's deviation from the same, if any;
- 3.4 Provide the Commission, if applicable, at the end of every fiscal year with a sworn certification that the Company has complied with the requirement for independent directors and their attendance at meetings in accordance with Sec. 11(7) of SEC Memorandum Circular No. 2. The certification may be submitted with the Company's current report (SEC Form 17-1) or on a separate filing;
- 3.5 Identify, monitor and control compliance risks;
- 3.6 Determine violations of this Manual and create a system for giving due notice, hearing, and due process for dealing with violations of the Manual; and
- 3.7 Recommend the penalties for violations of the Manual, for further review and approval of the Board.

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 VII: COMMUNICATION AND INFORMATION**

### **1. Management's Responsibility for Information**

- 1.1 Management is primarily responsible to the Board for financial reporting and control, and, to this extent, shall;
  - 1.1.1 Report an assessment of the Company's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
  - 1.1.2 Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their responsibilities;
  - 1.1.3 Report the business' going concern/s, with supporting assumptions or qualifications, if necessary;
  - 1.1.4 Maintain a sound system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all of its stockholders and other stakeholders;
  - 1.1.5 Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examination cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance operation, information system, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operation safeguarding of assets, and compliance with laws, rules, regulation, and contracts;
  - 1.1.6 Require the Chief Audit Executive to make an annual report to the Audit and Risk Committee on the internal audit department activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit and Risk Committee of the Board of Directors. Such annual report shall include significant risk exposures and control issues and other matters that the Board of Directors and Senior Management may need; and
  - 1.1.7 Management shall be primarily responsible for the adequate flow of information to the Board of Directors. Said information may include the background or explanatory information relating to matters to be brought before the Board of Directors, copies of disclosure statement and documents, budget, forecast and monthly internal financial statement. Management should also disclose and explain to the Board of Directors any variance between projections and actual results.

### **2. The Investor Relations Function**

There shall be an Investor Relations Division within the Company, if applicable, which shall be tasked with:

- 2.1 The creation and implementation of an investor relations program that reaches out to all stockholders and fully informs them of corporate activities; and
- 2.2 The formulation of a clear policy on communicating or relaying relevant information to the Company's stockholders and to the broader investor community accurately, effectively and sufficiently.

### **3. Communication of this Manual**

This Manual shall be submitted to the Commission. It shall be available for inspection by any stockholder of the Company at its principal office during reasonable hours on any business day.

## **ARTICLE VIII: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

### **1. Stockholders' Right and Protection**

The Company recognizes that the most cogent proof of sound corporate governance is that which is visible to the eyes of its investors. Therefore, the provisions of this Section on stockholders' rights and protection shall serve as a guide for all internal and external parties, as a means of corporate governance covenant between the Company and all its stockholders.

### **2. Commitment to Respect Stockholders' Rights**

The Articles of Incorporation and all resolutions adopted by the Board of Directors establishing and designating series of serial preferred stock, fixing the number of shares to be included in each series and the rights, preferences and limitations of the shares of each series as filed with the Commission, which are deemed part of the Articles of Incorporation, shall lay down the specific rights and powers of stockholders with respect to the particular shares of stock they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

The Board shall be committed to respect the voting right, right to information, right to dividends and appraisal rights of the stockholders.

#### **2.1 Voting Right**

Owners of shares of common stock of the Company shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code, the Articles of Incorporation and the By-Laws.

At every meeting of the stockholders for the election of directors, owners of shares of common stock of the Company are entitled to one vote for each share of common stock owned by him. He may vote such number of shares for as many persons as there are directors to be elected or to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall think fit.

A director shall not be removed without cause if such removal will deny minority stockholders their representation in the Board of Directors.

#### **2.2 Pre-emptive Right**

The stockholders shall have no pre-emptive right to subscribe to all issuances or disposition of shares of any class.

#### **2.3 Inspection Right**

All stockholders shall be allowed to inspect corporate books and records including minutes of board Meetings and stock registries; provided that, such right may be denied by the Board of Directors 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 of Directors determines it necessary to safeguard the rights and legitimate interest of the Company such as when the records to be inspected contain sensitive or confidential information or are covered by a confidentiality or non-disclosure obligation which will be breached by the Company if such records were made available for inspection.

#### **2.4 Right to Information**

Stockholders shall be provided, upon request, with periodic reports filed by the Company with the Commission (e.g. proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Company's shares, material transactions with the Company, relationship with other Directors and Officers 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 to propose items in the agenda of such meeting, provided that such 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.

#### **2.5 Right to Dividends**

The Company is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares or property, or a combination thereof as may be determined by the Board. A cash or property dividend declaration does not require any further approval from shareholders; however, any declaration of stock dividends will be subject to approval of the Company's shareholders holding at least two-thirds (2/3) of the Company's outstanding capital stock. The Board may not declare dividends where to do so would impair its capital.

Upon declaration by the Company's Board of Directors and subject to the availability of unrestricted retained earnings, the Company may declare dividends of at least thirty percent (30%) of the prior year's net income after tax based on its audited financial statements as of such year, except: (i) when justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company 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 (iii) when it can be clearly shown that such retention is necessary under

special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

## **2.6 Appraisal Right**

The stockholders shall have appraisal rights or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code, in any of the following instances:

- 2.6.1 In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term or corporate existence;
- 2.6.2 In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets; provided that, a sale or other disposition shall be deemed to cover substantially all of the corporate property or assets if thereby the Company would be rendered incapable of continuing the business or accomplishing the purpose for which it was organized;
- 2.6.3 In case of merger or consolidation; and
- 2.6.4 In case of investment of corporate funds in another Company or business or for any other purpose other than the primary purpose for which the Company was organized and such investment is not reasonably necessary to accomplish the Company's primary purpose.

## **2.7 Duty To Promote Stockholders' Rights**

It shall be the duty of the Board of Directors to promote the stockholders' rights, remove impediments to the exercise thereof and allow possibilities of seeking redress for violation of such rights. The Board of Directors shall encourage the exercise of stockholders' voting rights and the collective action towards solution of problems through appropriate mechanisms.

The Board of Directors should be transparent and fair in the conduct of annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject of the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

The Board of Directors shall likewise be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The Board of Directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions in accordance with applicable laws, rules and regulations.

## **2.8 Commitment to Disclose Material Information**

The Board of Directors shall, at all times commit to fully and timely disclose all the material information and/or transactions that could potentially affect the market price of the Company's shares or the interest of its stockholders and other shareholders and such other information which are required to be disclosed pursuant to the Securities Code and its Implementing Rules and Regulations including, without limitation, earnings results, acquisition or disposal of significant assets, off balance-sheet transactions, Board membership changes, shareholdings of Directors and Officers and any changes thereto, and remuneration of Directors and Officers and related party transactions.

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

## **2.9 Disclosure of Company's Corporate Governance Policies**

The report/s or disclosure/s required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or Officer through the Company's Compliance Officer.

## **ARTICLE IX: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

To strictly encourage observance and implementation of the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Company's Directors, Officers, Executives and employees for violation of any term or provision of this Manual:

1. In case of first violation, the subject person shall be reprimanded;
2. In case of second violation, the subject person shall be suspended from holding office; provided, that the duration of such suspension shall be at the reasonable discretion of the Board of Directors, depending on the gravity of the violation;
3. For the third violation, the maximum penalty of removal from office shall be imposed.

The willful commission of a third violation of any provision of this Manual by any Director, Officer, Executive or employee shall be a sufficient cause for removal from office of such Director, Officer, Executive or employee.

The Compliance Officer shall be responsible for determining violations after notice and hearing and shall recommend to the Chairman the imposable penalty for such violation, subject to further approval by the Board of Directors.

## **ARTICLE X: REVIEW AND AMENDMENT OF MANUAL**

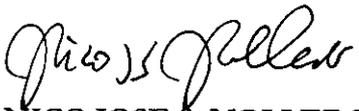
1. The provisions of this Manual and the enforcement thereof shall be subject to annual review unless otherwise stated by the Board of Directors.
2. All business processes and practices of any of the Company's departments or business units that are not consistent with any portion of this Manual shall be revoked.
3. This Manual is subject to review and amendments, taking into account the Company's changing needs, conditions prevailing in the industry and regulatory requirements.

## **ARTICLE XI: ADOPTION AND EFFECTIVITY**

The Board of Directors approved and adopted this Manual on October 3, 2016 and made effective on the same date.



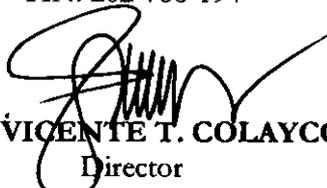
**RAYMOND GERARD S. RACAZA**  
Chairman of the Board  
TIN: 205-589-826



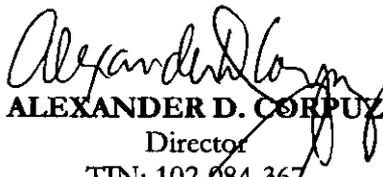
**NICO JOSE S. NOLLEDO**  
Director  
TIN: 201-176-986



**FERNANDO JUDE F. GARCIA**  
Director  
TIN: 202-766-194



**JOSE VICENTE T. COLAYCO**  
Director  
TIN: 107-269-291



**ALEXANDER D. CORPUZ**  
Director  
TIN: 102-084-367



**MARK S. GORRICETA**  
Corporate Secretary  
TIN: 191-642-808