



METRO PACIFIC TOLLWAYS CORPORATION

REVISED MANUAL ON CORPORATE GOVERNANCE

The Board of Directors and Management, including officers and staff, of Metro Pacific Tollways Corporation (the **"Company"**) have adopted the following principles and practices of good Corporate Governance contained in this Revised Manual on Corporate Governance and have committed that these principles and practices shall serve as their guide in the attainment of the Corporation's corporate goals and objectives.

1. ADOPTION OF MANUAL

This Manual is adopted through guidance obtained from certain provisions of Securities and Exchange Commission Memorandum Circular No. 19, series of 2016, and in a supplementary manner, certain provisions of Securities and Exchange Commission Memorandum Circular No. 24, Series of 2019.

2. DEFINITION AND INTERPRETATION

2.1 Definition of Terms

"Articles of Incorporation" means the Articles of Incorporation of the Company and all amendments thereto;

"Board Committees" means collectively, the Executive Committee, the Nomination Committee, the Audit Committee, the Compensation and Remuneration Committee, and the Governance and Risk Committee, and such other committees which the Board may constitute from time to time in accordance with the Company's By-Laws;

"Board of Directors" or **"Board"** means the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties;

"BSP" means the Bangko Sentral ng Pilipinas;

"By-Laws" means the By-Laws of the Company and all amendments thereto;

"CEO" means the President or the Chief Executive Officer of the Company;

"Chairperson" means the Chairperson of the Board;

"Chief Audit Executive" or **"CAE"** means the head of the Internal Audit Group

“Code” means the SEC Memorandum Circular No. 19, series of 2016, otherwise known as the “Code of Corporate Governance for Publicly-Listed Companies”;

“Commission” or **“SEC”** means the Philippine Securities and Exchange Commission;

“Corporate Governance” means the system of stewardship and control to guide the Company in fulfilling its long-term economic, moral, legal and social obligations towards its stockholders and other Stakeholders. It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors, Management, Employees, and Consultants accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with stockholders value to the benefit of all Stakeholders and society;

“Corporation Code” means Republic Act No. 11232 otherwise known as "Revised Corporation Code" approved on February 20, 2019;

“Enterprise Risk Management” means a process, effected by the Board of Directors, Management and other personnel of the Company, applied in strategy setting and across the Company that is designed to identify potential events that may affect the Company, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of the Company’s objectives;

“Exchange” means an organized marketplace or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;

“Executives” means, collectively, the executives of the Company with at least the rank of Assistant Vice President;

“Executive Director” means a member of the Board who also has executive responsibility of day-to-day operations of a part or the whole of the Company;

“Group” means the Company’s parent company and all of its Subsidiaries and affiliates.

“Independent Director,” subject to the specific qualifications and disqualifications enumerated in the Code, generally means a person who, apart from his fees and shareholdings, is independent of Management and the controlling stockholders, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;

“Internal Audit” means 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;

“Internal Audit Group” means a group or unit of the Company that provides independent and objective assurance services, and consulting services designed to add value to, and improve, the Company's operations;

“Internal Control” means a process designed and effected by the Board of Directors, Management, and all levels of personnel to provide reasonable assurance on the achievement of the Company’s objectives through efficient and effective operations;

reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations, and the Company's policies and procedures;

“Internal Control System” means the framework under which Internal Controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Company is exposed;

“Lead Director” if appointed, means a Board member elected among the independent members of the Board who is responsible for calling separate meetings of the Independent Directors, determining the agenda and serving as chairperson of meeting of Independent Directors, reporting to the Chairman of the Board regarding feedback from executive sessions, and performing such other responsibilities as may be designated by a majority of Independent Directors from time to time.

“Management” means 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 Company;

“Manual” means this Manual on Corporate Governance, as the same may be amended from time to time;

“Non-Audit Work” means the other services offered by an external auditor to the Company, that are not directly related and relevant to the Company's statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may affect the independence and objectivity of an external auditor;

“Non-Executive Director” means a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the Company;

“Related Party” means any of (a) the Company's directors, officers, substantial stockholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or Significant Influence over the Company; (b) the Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture, or any entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party; or (c) other persons or juridical entities whose interest may pose a potential conflict with the interest of the company;

“Related Party Transactions” means a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. The term “Related Party Transactions” 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;

“Securities Broker-Dealer” refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

"Securities Regulations Code" - Republic Act No. 8799, otherwise known as "The Securities Regulations Code" approved on July 19, 2000;

"Significant Influence" means the power to participate in the financial and operating policy decisions of the Company but has no control or joint control of those policies. In respect of determining Significant Influence arising from a person's shareholding in the Company, Significant Influence shall only be deemed to exist when the relevant person holds and owns, directly or indirectly, at least ten percent (10%) of the issued and outstanding voting shares of the Company but not more than fifty percent (50%) plus one of the said issued and outstanding voting shares;

"Subsidiaries" means other corporations at least fifty one percent (51%) of whose outstanding capital stock is owned and held by the Company; and

"Stakeholders" means any individual, organization or community who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general, except such individual, entity or organization with an adverse interest to the Company. This includes, among others, non-proprietary certificate holders, creditors, employees, suppliers, investors, as well as the government and the community in which the Company operates.

2.2 Rules of Interpretation

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

2.2.2 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 shareholders and investors of the Company.

2.2.3 A reference to a statute or statutory provision shall be construed as a reference to that statute or provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provision which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.

2.2.4 The headings in this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

3. OBJECTIVES

This Manual shall institutionalize the principles of, and establish the necessary structures for, good Corporate Governance in the Company.

The shareholders, Board of Directors, officers and employees of the Company maintain that good Corporate Governance is a necessary component of sound and strategic business management and the Company's long-term success, and will therefore undertake every effort necessary to create awareness of, and compliance with, the principles and practices set forth in this Manual within the Company.

4. CORPORATE GOVERNANCE

4.1. Board of Directors

The Board of Directors is primarily responsible for the good Corporate Governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

4.1.1 Composition of the Board; Board Diversity

Composition of the Board

The Board shall be composed of Directors with a collective working knowledge, experience or expertise that is relevant to the Company's industry or sector and shall have an appropriate mix of competence and expertise. It shall ensure that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the Company based on the evolving business environment and strategic direction.

The Board shall be composed of such number of directors as provided in the Articles of Incorporation, who shall be elected by the shareholders in accordance with the law, the By-Laws of the Company, and the relevant provisions of any shareholders' agreement to which the Company is a party. It shall be composed of a combination of Executive Directors and Non-Executive Directors (which include Independent Directors). For this purpose, a majority of the Board shall be composed of Non-Executive Directors who shall possess the necessary qualifications to effectively participate and help secure objective independent judgment on corporate affairs and to carry out proper checks and balances.

The Board shall have at least three (3) Independent Directors or such number as to constitute at least one-third (1/3) of the Board.

Board Diversity

The Board shall adopt a policy on diversity that takes into account factors such as gender, experience, expertise and relevant knowledge to avoid groupthink and to ensure that optimal decision-making is achieved, with all relevant perspectives being considered.

4.1.2 Multiple Board Seats

- (a) The number of directorships that members of the Board can hold in stock and non-stock corporations shall be dependent on the capacity of a director to diligently and efficiently perform his duties and responsibilities. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the Boards they serve should not be compromised.
- (b) In general, the Non-Executive Directors of the Board shall not concurrently serve as directors to more than five (5) publicly-listed companies; provided, further that where the Non-Executive Director holds concurrent directorships in public companies and/or registered

issuers that belong to the same Group, the same shall be treated as if the Non-Executive Director is sitting in one (1) public company, provided finally that should the Non-Executive Director also serve in other companies, outside the Group, whether the said company is a Public Company, Privately-Held, Non-Stock, Non-Profit, or Foundation, his fitness to serve shall be determined based on the continuing trust of shareholders, as reflected in their votes for the said Director following a complete disclosure of said directors' other commitments.

4.1.3 The Chairperson and Chief Executive Officer

The roles of Chairperson and CEO (or its equivalent position) are, as a general rule, held by separate individuals to foster an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. A clear delineation of functions and responsibilities shall be made between the Chairman and CEO upon their election.

Chairperson

The Board shall be headed by a competent and qualified Chairperson. The duties and responsibilities of the Chairperson in relation to the Board shall be in accordance with the By-Laws and may include the following:

- (a) ensure that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Company, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations and achievement of the Company's business objectives, plans, direction or priorities;
- (b) guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- (c) facilitate discussions on key issues by fostering an environment of respect, conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (d) ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- (e) assure the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- (f) make sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

CEO (or its equivalent position)

In addition to such responsibilities as may be provided in the By-Laws and those that may be delegated by the Board, including the responsibilities stated in Item 6 hereof, the CEO (or its equivalent position) shall have the following duties and responsibilities:

- (a) determine the Company's strategic direction, and formulate and implement the Company's strategic plan on the direction of the business;
- (b) communicate and implement the Company's vision, mission, values and overall strategy as formulated by the Board and promote any organization or Stakeholder change in accordance with the same;
- (c) oversee the operations of the Company and manage human and financial resources in accordance with the strategic plan;
- (d) have a good working knowledge of the Company's industry and market and be up-to-date with its core business purpose;
- (e) direct, evaluate, and guide the work of the key officers of the Company;
- (f) manage the Company's resources prudently and ensure a proper balance of the same;
- (g) provide the Board with timely information and interfaces between the Board and the employees;
- (h) build the corporate culture and motivate the employees of the Company; and
- (i) serve as the link between internal operations and external Stakeholders.

If for any reason, that the positions of Chairperson and CEO are held by a single individual, a Lead Director shall be appointed and designated from among the Independent Directors. The functions of the Lead Director, include, among others:

- (a) serve as an intermediary between the Chairman and the other directors when necessary;
- (b) convene and chair meetings of the Non-Executive Directors; and
- (c) contribute to the performance evaluation of the Chairman, as required.

4.1.4 Responsibilities, Duties and Functions of the Board and Directors

4.1.4.1 General Responsibility

The Board's responsibility is to foster the long-term success of the Company and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of shareholders and other Stakeholders. The Board shall (a) oversee the development of and approve the Company's business and strategy and monitor its implementation, in order to sustain the Company's long-term viability and strength; and (b) 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.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The members of the Board shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company, with due regard to its shareholders and all other Stakeholders.

4.1.4.2 Duties and Functions

The Board shall undertake the following duties and functions:

- (a)
 - (i) Appoint competent, professional, honest and highly-motivated Management and key officers;
 - (ii) Assess the performance of Management led by the CEO (or his equivalent) and control functions led by their respective heads;
 - (iii) Adopt an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the Company. The program shall include a retirement policy for directors and key officers;
- (b) Align the remuneration of key officers and the directors with the long-term interests of the Company and formulate and adopt a policy specifying the relationship between remuneration and performance;
- (c) Adopt a formal and transparent Board nomination and election policy that should include how it accepts nominations from its shareholders and reviews the qualifications of nominated candidates. The policy shall include an assessment of the effectiveness of the Board's process and procedures in the nomination, election or replacement/removal of a director. The process of identifying the quality of directors shall be aligned with the strategic direction of the Company;
- (d) Provide sound strategic policies and guidelines to the Company on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- (e) Establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that Management (including the CEO or is equivalent) and personnel's performance is at par with the standards set by the Board and senior management;
- (f) Ensure that the Company complies with all relevant laws, regulations and codes of best business practices;

- (g) Establish and maintain an investor relations office or customer relations office or its equivalent as may be necessary to ensure constant engagement and communication with its shareholders;
- (h)
 - (i) Identify the Company's Stakeholders, and promote cooperation between them and the Company in creating wealth, growth and sustainability;
 - (ii) Establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of Stakeholders;
- (i)
 - (i) Adopt a system of internal checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times.
 - (ii) Oversee that an appropriate Internal Control System is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of Board members, management and shareholders. The Board shall adopt an Internal Audit Charter;
- (j)
 - (i) Oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies;
 - (ii) Identify key performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability;
- (k) Formulate and implement policies and system that would ensure the integrity and transparency of Related Party Transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material Related Party Transactions, which guarantee fairness and transparency of the transactions;
- (l) Establish an Audit Committee and such other Board Committees it deems necessary to assist the Board in the optimal performance of its duties and responsibilities. The Board shall ensure that the voting members of the Board Committees shall only be composed of members of the Board;
- (m)
 - (i) Ensure that basic shareholder rights are disclosed in this Manual.
 - (ii) Encourage active shareholder participation in meetings of the shareholders, including by timely sending notices of

meetings with sufficient and relevant information at least twenty eight (28) days before the meeting;

(iii) Establish a mechanism to resolve intra-corporate disputes, such as, but not limited to submission to arbitration, in an amicable and effective manner, following such process as the shareholders may agree upon.;

(n) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;

(o) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws, and in accordance with existing laws, rules and regulations;

(p) Ensure that it is assisted in its duties by a Corporate Secretary and a Compliance Officer and that said positions are held by separately by distinct individuals;

(q) (i) Adopt a Board Charter that formalizes and clearly states the Board's roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and should be made publicly available;

(ii) Adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, acceptable and unacceptable conduct and practices in internal and external dealings of members of the Board. The Code of Business Conduct and Ethics shall be properly disseminated to all members of the Board and should be disclosed and made available to the public through the Company's website;

Ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics;

(r) Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other Stakeholders that gives a fair and complete picture of the Company's financial condition, results and business operations; and

(s) (i) Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and governance;

(ii) Adopt an anti-corruption policy and program in its Code of Business Conduct and Ethics, and disseminate the policy and program to employees across the organization through orientations and continuous trainings to embed them in the Company's cultures; and

- (iii) Establish, supervise and implement a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.
- (t) Oversees that the Company adopts sustainable policies, practices, and initiatives aimed at managing the adverse impacts of the business on the environment and its Stakeholders, controlling or mitigating risks that impact business objectives, and creating shared value, for the purpose of ensuring the long-term viability of the Company and its business.

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and the Board Committees. For such purpose, the Board shall put in place a system that provides, at the minimum, criteria and a process to determine the performance of the Board, the individual directors, Board Committees. Such system should allow for a feedback mechanism from the shareholders.

4.1.4.3 Duties and Responsibilities of a Director

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Company towards sustained progress.

A director shall observe the following norms of conduct:

- (a) Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interest of the Company;

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company or stands to acquire or gain financial advantage at the expense of the Company. For example, a director shall not participate in the determination of his own per diem or compensation.

A director should notify the Board before accepting a directorship in another company.

- (b) Devote time and attention necessary to properly discharge his duties and responsibilities;

A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of, and knowledgeable with, the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in all meetings of the Board, Board Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as illness, death in the immediately family and serious accidents, prevent him from doing so. In the meetings of the Board and the Board Committees, the directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The Non-Executive Directors should have separate meetings as needed with the external auditor and heads of the Internal Audit, compliance and risk functions, without any Executive Directors present to ensure that proper checks and balances are in place within the Company.

- (c) Act judiciously;

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

- (d) Exercise independent judgment;

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

- (e) Have a working knowledge of the statutory and regulatory requirements affecting the Company, 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;

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

- (f) Observe confidentiality;

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as

director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

- (g) Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

4.1.5 Board Meetings and Quorum Requirements

Members of the Board shall attend the regular and special meetings in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.

Unless otherwise provided in the By-Laws, the absence of an Independent Director shall not affect the quorum requirement.

4.1.6 Training and Orientation of Directors

The Company shall establish policies on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors, in each case, with the purpose of promoting effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities.

4.2 Board Committees

The Board shall constitute the following committees to assist it in good Corporate Governance: (a) the Nomination Committee; (b) the Compensation and Remuneration Committee; (c) the Audit Committee, and (d) the Governance and Risk Committee.

If required by the Company's risk profile, nature and complexity of operations, the Board may establish a separate Board Risk Oversight Committee which shall be responsible for the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. The Board shall determine the composition of the committee at the time of its establishment.

All Board Committees established by the Board shall have committee charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The charters should provide the standards for evaluating the performance of the Board Committees and its members.

4.2.1 Nomination Committee

4.2.1.1 The Board shall create a Nomination Committee which shall have at least three (3) voting members of the Board (one of whom must be an Independent Director) and one (1) non-voting member in the person of the HR Director/Manager.

4.2.1.2 The Nomination Committee shall: (a) determine the nomination and election process of directors, (b) review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and (c) assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

- 4.2.1.3 Without prejudice to any applicable provision of any shareholders' agreement to which the Company is a party, the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with the following qualifications and disqualifications:

Qualifications of Directors, in General

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, each member of the Board must possess the following qualifications:

- (a) He must be a holder of at least one (1) share of stock of the Company;
- (b) He shall be at least a college graduate or have sufficient experience in managing a business to substitute for such formal education;
- (c) Membership in good standing in relevant industry, business or professional organization;
- (d) He shall have proven to possess integrity and probity; and
- (e) He shall be assiduous.

Disqualification of Directors

1. Permanent Disqualification

The following are the grounds for the permanent disqualification of a director:

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

- (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities;
- (c) The person is currently the subject of an order of the Commission, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- (d) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (e) Any person who has been adjudged by final judgment or order of the Commission, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counselled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the Commission or BSP;
- (f) Any person judicially declared as insolvent;
- (g) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (f) above;
- (h) Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and
- (i) Any person engaged in any business, which competes with, or is antagonistic to that of, the Company or any of its Subsidiaries or affiliates. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:
 - (i) If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of twenty percent (20%) or more of any outstanding class of shares of any corporation (other than the one in which this Company owns at least thirty percent (30%) of the capital stock) engaged in

business which the Board, by at least two-thirds (2/3) vote, determines to be competitive or antagonistic to that of the Company or any of its Subsidiaries or affiliates;

(ii) If he is an officer, manager or controlling person of, or the owner (either of record or beneficial) of twenty percent (20%) or more of any outstanding class of shares of, any corporation or entity engaged in any line of business of the Company or of any of its Subsidiaries or affiliates, when in the judgment of the Board, by at least two-thirds (2/3) vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

(iii) The Board, in the exercise of its judgment in good faith, determines by at least two-thirds (2/3) vote that he is the nominee of any person in (i) or (ii) above.

In determining whether or not a person is a controlling person, beneficial owner or the nominee of another, the Board may take into account such factors as business and family relationships.

2. Temporary Disqualification

The following are the grounds for temporary disqualification of a director:

- (a) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing rules and regulations. This disqualification shall be in effect as long as his refusal persists;
- (b) Absence 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. This disqualification applies for purposes of the succeeding election;
- (c) Dismissal, termination or removal for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity which gave rise to his dismissal, termination or removal;
- (d) Being under preventive suspension by the Company;
- (e) If the beneficial equity ownership of an Independent Director in the Company or its Subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with; and
- (f) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporary disqualified director shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

Additional Considerations for Independent Directors

The Board should ensure that the Independent Directors possess the necessary qualifications and none of the disqualifications for an Independent Director to hold the position. An Independent Director must be a person who, ideally:

- (a) is not, or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Company;
- (b) is not, and has not been in the two years immediately preceding the election, a director of the Company; a director, officer, employee of the Company's Subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its related companies;
- (c) has not been appointed in the Company, its Subsidiaries, associates, affiliates or related companies as Chairperson Emeritus, ex-officio directors/officers or members of any advisory Board, or otherwise appointed in any capacity to assist the Board in the performance of its duties and responsibilities within two years immediately preceding his election;
- (d) is not an owner of more than two percent (2%) of the outstanding shares of the Company, its Subsidiaries, associates, affiliates or related companies;
- (e) is not a relative of a director, officer or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- (f) is not acting as a nominee or representative of any director of the Company or any of its related companies;
- (g) is not a Securities Broker-Dealer of listed companies and registered issuers of securities;
- (h) is not retained, either in his personal capacity or through a firm, as a professional advisor, auditor, consultant, agent, or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two years immediately preceding the date of his election;

- (i) does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within the two years immediately preceding the date of his election;
- (j) is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- (k) is not employed as an executive officer of another company where any of the Company's executives serve as directors.

As used herein, "related companies" refer to (i) the Company's holding/parent company, (ii) the Company's Subsidiaries, and (iii) the Subsidiaries of the Company's holding/parent company. Notwithstanding the foregoing guidelines, an Independent Director shall have all of the qualifications and none of the disqualifications prescribed under applicable regulations.

The Board's Independent Directors should serve for a maximum cumulative term of nine years, the said period to be reckoned from the year that this Manual takes effect. . After which, the Independent Director shall be perpetually barred from re-election as such in the Company but may continue to qualify for nomination and election as a Non-Independent Director. In the event that the Company wants to retain an Independent Director who has served for nine years, the Board should provide meritorious justification/s and seek shareholder's approval during the annual shareholders' meeting.

4.2.1.4 In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good Corporate Governance at all times.

4.2.1.5 In addition to the guidelines provided under 4.1.2 hereof, the Nomination Committee shall consider the following guidelines in the determination of the ceiling of the number of directorships in other corporations which may be held by members of the Board:

- (a) The nature of the business of the Company;
- (b) Age of the director;
- (c) Number of directorships/active memberships and officers in other corporations or organizations of such director; and
- (d) Possible conflict of interest.

4.2.1.6 The CEO and other Executive Directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to 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.

4.2.2 Compensation and Remuneration Committee

4.2.2.1 The Compensation and Remuneration Committee shall be composed of at least three (3) members of the Board, one of whom shall be an Independent Director.

4.2.2.2 Duties and Responsibilities

- (a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of directors, and provide oversight over remuneration of senior management and other key personnel ensuring that the compensation is consistent with the Company's culture, strategy and control environment;
- (b) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully;
- (c) 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 the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- (d) Disallow any Director to decide his or her own remuneration;
- (e) Provide in the Company's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation paid, directly or indirectly, to its executive officers, directors and management officers for the previous fiscal year and the ensuing year; and
- (f) Review the existing relevant corporate policies, 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.

4.2.3 Governance and Risk Committee

4.2.3.1 The Governance and Risk Committee shall be primarily tasked to assist the Board in the performance of its Corporate Governance responsibilities, as well as its Enterprise Risk Management and Sustainability concerns. The Governance and Risk Committee shall be composed of at least three (3) directors, majority of whom shall be Independent Directors, including the chairperson thereof. At least one (1) member must have relevant thorough knowledge and experience on risk and risk management.

4.2.3.2 Duties and Responsibilities

- (a) Oversee the implementation of the Corporate Governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the Company's size,

complexity of operations and business strategy, as well as its business and regulatory environments;

- (b) Oversee the periodic performance evaluation of the Board and the Board Committees as well as the executive management, and conduct an annual evaluation of the said performance;
- (c) Ensure that the results of the Board evaluation are discussed, and that concrete plans are developed and implemented to address the identified areas for improvement;
- (d) Recommend the continuing education/training programs for directors, assignment of tasks/projects to Board Committees, succession plan or the members of the Board and senior officers, and remuneration packages for corporate and individual performance;
- (e) Adopt Corporate Governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- (f) Propose and plan relevant trainings for the members of the Board;

In relation to Risk and Risk Management:

- (a) develop a formal Enterprise Risk Management plan which contains the following elements: (1) common language or register of risks, (2) well-defined risk management goals and objectives, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measures;
- (b) oversee the implementation of the Enterprise Risk Management plan;
- (c) evaluate the Enterprise Risk Management plan to ensure its continued relevance, comprehensiveness and effectiveness;
- (d) advise the Board on its risk appetite levels and risk tolerance limits;
- (e) review at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Company;
- (f) assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence;
- (g) oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company; and

- (h) report to the Board on a regular basis or as necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.

In Relation to Sustainability

- (a) Develop and oversee the over-all Sustainability Framework for the Company which includes the following components: (1) integration of business and sustainability priorities; (2) identification of key sustainability issues confronting the Company; (3) establishment of over-sustainability goals for the company;
- (b) Oversee the development of the Company's Sustainability Reports to regulatory bodies, investor groups and the Company's other stakeholders;
- (c) Monitor current and emerging sustainability trends, as well as related legislation and regulation affecting the Company's operations and reputation;
- (d) Lead the development of initiatives, policies and activities to ensure innovation that takes into consideration generally- accepted sustainability standards;
- (e) Develop measurable systems and processes in place in which to hold Management accountable in relation to the company's sustainability objectives and
- (f) Require management to take steps to ensure that employees receive the training necessary to meet environmental and sustainability standards set by law and regulations.

4.2.4 Audit Committee

4.2.4.1 The Audit Committee shall enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulations.

4.2.4.2 The Audit Committee shall be composed of at least three (3) appropriately qualified Non-Executive Directors, majority of whom (including the chairperson) shall be Independent Directors. All of the members of the Audit Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The chairperson of the Audit Committee should not be the chairperson of the Board or any other Board Committees.

4.2.4.3 Duties and Responsibilities

- (a) Recommend the approval of the Internal Audit Charter, which formally defines the responsibilities, powers and authority of the Internal Audit Group, the audit plan of the Internal Audit Group and oversee the implementation of the Internal Audit Charter;

- (b) Through the Internal Audit Group, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting and security of physical and information assets, in order to: (i) safeguard the Company's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the Company's financial data and (iv) ensure compliance with applicable laws and regulations;
- (c) Oversee the Internal Audit Group and recommend the appointment and removal of the Chief Audit Executive, as well as his/her qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
- (d) Establish and identify the reporting line of the Chief Audit Executive to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- (e) Monitor Management's responsiveness to the Internal Audit Group's findings and recommendations;
- (f) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts
- (g) Review and approve the interim and annual financial statements before their submission to the Board, with focus on the following matters: (i) any change/s in accounting policies and practices; (ii) areas where a significant amount of judgment has been exercised; (iii) significant adjustments resulting from the audit; (iv) going concern assumptions; (v) compliance with accounting standards; and (vi) compliance with tax, legal and regulatory requirements;
- (h) Review the recommendations in the external auditor's management letter;
- (i) Oversee the Company's internal and external auditors and ensure their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory compliance;
- (j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (k) Establish a robust process for approving and recommending the appointment, reappointment, removal and fees of the external auditor; recommend to the Board the appointment, reappointment, removal and fees of the external auditor (who shall be duly accredited by the Commission and shall undertake the independent audit of the Company) and provide an objective assurance on the manner by which

the financial statements should be prepared and presented to the shareholders;

- (l) Evaluate and determine the Non-Audit Work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to the total fees paid and the Company's overall consultancy expenses, taking into account any potential conflict of interest situations, and possible disallowance of any Non-Audit Work that will conflict with the duties of an external auditor or may pose a threat to his independence;
- (m) Evaluate, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions are monitored, the related party registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa)
- (n) In case of the absence of a Related Party Transaction committee: (i) evaluate all Related Party Transactions to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, (ii) determine any potential reputational risk issues that may arise as a result of or in connection with Related Party Transactions, (iii) ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's Related Party Transaction exposures, and policies on potential and/or actual conflicts of interest, (iv) report to the Board on a regular basis, the status and aggregate exposure to each Related Party, as well as the total amount of exposure to all related parties, (v) ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process, and (vi) oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting Related Party Transactions, including a periodic review of related party policies and procedures and such other considerations as may be detailed in the Related Party Transactions policy and consistent with relevant regulatory requirements;
- (o) Meet internally and with the Board as may be needed, without the presence of the CEO or other Management team members, and periodically meet with the head of the Internal Audit.

4.2.4.4 The Audit Committee shall ensure that its Charter shall include the responsibility to assess the integrity and independence of external auditors and exercise effective oversight to review and monitor the external auditor's independent and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Audit Committee Charter shall also contain the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

5. CORPORATE SECRETARY AND COMPLIANCE OFFICER

5.1 Corporate Secretary

5.1.1 Qualifications

5.1.1.1 The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.

5.1.1.2 The Corporate Secretary shall assist the Board in its duties and shall be a separate individual from the Compliance Officer.

5.1.1.3 He shall not be a member of the Board and shall annually attend a training on Corporate Governance.

5.1.2 Duties and Responsibilities

The Corporate Secretary shall be primarily responsible to the Company and its shareholders and shall have the following duties and responsibilities, among others:

- (a) Assist the Board and the Board Committees in the conduct of their meetings;
- (b) Safekeep and preserve the integrity of the minutes of the meetings of the Board, Board Committees and shareholders, as well as the other official records of the Company;
- (c) Keep abreast of relevant laws, regulations, all governance issues, industry developments and operations of the Company, and advise the Board and the Chairperson on all relevant issues as they arise;
- (d) Work fairly and objectively with the Board, Management, shareholders, and stakeholders, and contribute to and ensure the flow of information between the Board and Management, the Board and the Board Committees, and the Board and its shareholders as well as other stakeholders;
- (e) Advise on the establishment of Board Committees and their terms of reference;
- (f) Inform members of the Board, in accordance with the By-Laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (g) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- (h) Perform all required administrative functions;
- (i) Oversee the drafting of the By-Laws and ensure that it conforms with regulatory requirements; and
- (j) Perform such other duties and responsibilities as may be delegated by the Board and the Commission.

5.2 Compliance Officer

5.2.1 Qualifications

5.2.1.1 The Compliance Officer shall assist the Board in its duties and ensure adherence to good corporate principles and best practices. The Compliance Officer shall have the rank of senior vice president (or an equivalent position with adequate stature and authority in the Company).

5.2.1.2 He shall not be a member of the Board and shall annually attend a training on Corporate Governance.

5.2.2 Duties and Responsibilities

The Compliance Officer shall be primarily responsible to the Company and its shareholders and shall have the following duties and responsibilities, among others:

- (a) Ensure proper onboarding of new directors (i.e., orientation on the Company's business, charter, Articles of Incorporation and By-Laws, among others);
- (b) Monitor, review, evaluate and ensure compliance by the Company, its officers and directors with relevant laws, the Code, rules and regulations and all governance issuances of regulatory agencies;
- (c) Report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- (d) Ensure the integrity and accuracy of all documentary and electronic submissions as may be allowed under the rules and regulations of the Commission;
- (e) Appear before the Commission when summoned in relation to compliance with the Code and other relevant rules and regulations;
- (f) Collaborate with other departments within the Company to properly address compliance issues, which may be subject to investigation;
- (g) Identify possible compliance issues and work towards the resolution of the same;
- (h) Ensure the attendance of the members of the Board and key officers to relevant trainings; and
- (i) Performs such other duties and responsibilities as may be delegated by the Board and the Commission.

6. INTERNAL CONTROL SYSTEMS

- 6.1 The Company shall have an adequate and effective internal control system in the conduct of its business, taking into account its size, risk profile, nature and complexity of operations.

6.2 The internal control system of the Company consists of:

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

The minimum internal control mechanism for the performance of the Board's oversight responsibility shall include: (i) defining the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational controls; (ii) selection of the person who possesses the ability, integrity and expertise essential for the position of CEO, in accordance with the relevant provisions of any shareholders' agreement to which the Company is a party; (iii) monitoring and evaluation of proposed senior management appointments; (iv) selection and appointment of qualified and competent Management and officers; and (v) review of the Company's human resources policies, conflict of interest situations, if any, compensation programs for employees, and management succession plan.

The scope and particulars of the systems of effective organizational and operational controls depends on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risk involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.

The Company shall establish an internal audit system that can reasonably assure the Board, Management and shareholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint a Chief Audit Executive to perform the audit function, and shall require the Chief Audit Executive to report to a level of organization that allows the internal audit activity to fulfil its mandate. The Internal Audit shall be guided by the International Standards for the Professional Practice of Internal Auditing.

7. ACCOUNTABILITY AND AUDIT

- 7.1 The Board is primarily accountable to the shareholders. The Company should provide them with 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.
- 7.2 It is essential that Management provides all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the shareholders.

- 7.3 Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
- 7.3.1 The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
 - 7.3.2 An effective 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 shareholders and other Stakeholders;
 - 7.3.3 On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company'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;
 - 7.3.4 The Company should consistently comply with the financial reporting requirements of the Commission; and
 - 7.3.5 The nature of Non-Audit Work performed by the Company's external auditor, if allowed by the Audit Committee, should be disclosed in the Company's annual report and Annual Corporate Governance Report in the interest of managing potential conflicts of interest.
- 7.4 Management should formulate, under the supervision of the Board, a clear and focused strategy on the disclosure of non-financial information. The Company should disclose to all shareholders and other stakeholders the Company's strategic objectives (long-term goals) and operational objectives (short-term goals) and the impact of sustainability issues, with emphasis on the management of environmental, economic, social and governance issues of its business which underpin sustainability.

7.5 External Auditor

- 7.5.1 An external auditor shall enable an environment of good Corporate Governance as reflected in the financial records and reports of the Company, by providing an objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders.
- 7.5.2 The appointment, reappointment, removal and fees of the external auditor shall require the recommendation of the Audit Committee and the approval of the Board and the shareholders of the Company. For this purpose, the Board, after consultations with the Audit Committee, shall recommend to the shareholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Company.
- 7.5.2 The reason/s for the resignation, removal or change, and the date thereof, of an external auditor shall be disclosed by the Company to the Commission, the shareholders of the Company and the public through the Company's website and other required disclosures. Said report shall include a discussion of any disagreement with said former 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 given by the Company to the external auditor before its submission.

- 7.5.3 The external auditor of the Company shall not at the same time provide the services of an internal auditor to the Company and its Subsidiaries. The Company shall ensure that other Non-Audit Work shall not be in conflict with the functions of the external auditor.
- 7.5.4 The external auditor shall be rotated or changed every five years or earlier, or the signing partner of the external auditing firm assigned to the Company, be changed with the same frequency.
- 7.5.5 If an external auditor believes that the statements made in the Company's annual report, information statement or proxy statement, or any report filed with the Commission or any regulatory body during his engagement is incorrect or incomplete, he shall present his comments or views on the matter in the said reports.
- 7.5.6 The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, be clearly explained.

7.6 Internal Auditor

- 7.6.1 The Company shall have in place an independent internal audit function which is performed by an internal auditor or a group of internal auditors headed by a Chief Audit Executive, through which the Board, senior management, and shareholders are provided with (a) independent and objective assurance that its key organizational and procedural controls are effective, appropriate, and complied with and (b) consulting services to add value and improve the Company's operations.
- 7.6.2 The Chief Audit Executive shall report to the Audit Committee. The Chief Audit Executive submits to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plan and strategies as approved by the Audit Committee. The annual report includes significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Chief Audit Executive shall certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.
- 7.6.3 The duties and responsibilities of the Internal Audit Group shall be set out in the Internal Audit Charter. Such duties and responsibilities shall include whether acting on its own or with the Corporate Governance Office:
 - (a) providing an independent risk-based assurance service to the Board, Audit Committee, Governance and Risk Committee, and Management, focusing on reviewing the effectiveness of the governance and control processes in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information and (iv) coordinating the

activities and information among the Board, external and internal auditors, and Management;

- (b) performing regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- (c) performing consulting and advisory services related to governance and control as appropriate for the Company;
- (d) performing compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Company;
- (e) reviewing, auditing and assessing the efficiency and effectiveness of the internal control system of all areas of the Company;
- (f) evaluating operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- (g) evaluating specific operations at the request of the Board or Management, as appropriate; and
- (h) monitoring and evaluating governance processes.

7.6.4 The internal audit activities may be a fully-resourced activities housed within the Company, or may be outsourced to a qualified independent third-party service provider.

7.6.5 The Chief Audit Executive ensures that the internal audit remains free from all conditions that threaten the ability of the auditors to carry out their responsibilities in an unbiased manner. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

8. SUSTAINABILITY AND SOCIAL REPORTING

The Company recognizes and acknowledges the importance of interdependence between business, environment, people, and society. To this end, Management shall encourage and promote a mutually beneficial relationship between business and these aspects, that allows the Company to grow its business while contributing to the advancement of the communities where it operates, enhancing the welfare and well-being of its employees and managing the adverse impacts of the business to the environment.

Furthermore, the Company commits and shall ensure that the material and reportable non-financial and sustainability issues are disclosed through a globally accepted standard or framework.

9. COMMUNICATION PROCESS AND SYSTEM

- 9.1 (a) To enable the members of the Board and Board Committees to properly fulfil their duties and responsibilities, Management shall provide complete, adequate and timely information about the matters to be taken in advance of meetings.

- (b) Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board, or Board Committee, to enable him to properly perform his duties and responsibilities. Board members shall be given independent access to Management and the Corporate Secretary. As such, information needed may be inquired directly by a member before the Board, Management, executives and the Corporate Secretary.
 - (c) The information may include the background or explanation on matters brought before the Board and its committees, disclosures, budgets, forecasts and internal financial documents.
 - (d) The members of the Board and its Committees, either individually or collectively, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Company's expense.
- 9.2 The Investor Relations Office (or customer relations office or its equivalent), or in the absence of such office, the executive officers of the Company shall (a) ensure constant engagement and communication with the Company's shareholders and (b) provide an avenue to receive feedback, complaints and queries from shareholders to ensure their active participation with regard to the procedures and policies of the Company.
- 9.3 The Company shall maintain a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.
- 9.4 A copy of this Manual shall be submitted to the Commission and posted on the Company's website.
- 9.5 All directors, officers, executives are tasked to ensure the thorough dissemination of this Manual to all employees of the Company, and to likewise enjoin compliance in the process.
- 9.6 An adequate number of printed copies of this Manual must be reproduced under the supervision of the Corporate Governance Office, with a minimum of at least one (1) printed copy of this Manual per department.

10. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

10.1 Company Disclosures and Reports

- 10.1.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Board Committee or officer through the Company's Compliance Officer.
- 10.1.2 All material information about the Company which could adversely affect its viability or the interests of the shareholders and other Stakeholders shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, Related Party Transactions, shareholdings of directors, changes to ownership and material and reportable non-financial and sustainability issues.

10.1.3 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.

10.1.4 All disclosed information shall be released via the approved procedure for Company announcements as well as through the annual report.

10.2 Annual Corporate Governance Report

The Company shall disclose all relevant information on its Corporate Governance policies and practices in the Annual Corporate Governance Report which shall be submitted, and continuously updated and posted on the Company's website, as required by the Commission through relevant regulations.

10.3 Transparency and Disclosure

Transparency is a core principle in good Corporate Governance. To this end:

- (a) All directors and officers are required to disclose or report to the Company any dealings in the Company's shares by the said directors and officers within five (5) business days; and
- (b) The Board shall commit, at all times, to fully disclose material information on such dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its shareholders and other Stakeholders.

11. SHAREHOLDERS' BENEFIT

The Company recognizes that the most cogent proof of good Corporate Governance is that which is visible to its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as a governance covenant between the Company and all its investors:

11.1 Investors' Rights and Protection

11.1.1 Rights of Investors/Minority Interests

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

11.1.1.1 Voting Right

11.1.1.1.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code and any shareholders' agreement to which the Company is a party.

11.1.1.1.2 Cumulative voting shall be used in the election of directors.

11.1.1.1.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

11.1.1.2 Pre-emptive Right

All shareholders shall have pre-emptive rights unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to new issuances of the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Revised Corporation Code.

11.1.1.3 Power of Inspection

All shareholders shall be allowed to inspect Company books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

11.1.1.4 Right to Information

11.1.1.4.1 The shareholders shall be provided, upon request, with periodic reports, which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

11.1.1.4.2 The minority shareholders 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.

11.1.1.4.3 The minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for, and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".

11.1.1.5 Right to Dividends

11.1.1.5.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board and the relevant provisions of any shareholders' agreement to which the Company is a party.

11.1.1.5.2 Without prejudice to the relevant provisions of any shareholders' agreement to which the Company is a party, the Company shall be compelled to declare dividends when its retained earnings shall be in excess of one hundred percent (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 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 (c) 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.

11.1.1.6 Appraisal Right

The shareholders 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 Corporation Code, under any of the following circumstances:

- (a) In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- (c) In case of merger or consolidation;
- (d) In case of investment of corporate funds for any purpose other than the primary purpose of the Company.

11.2 It shall be the duty of the Board to promote shareholder rights, remove impediments to the exercise of shareholders' rights including the establishment of systems to allow remote attendance of shareholders as provided in the Corporation Code, and allow possibilities to seek redress for violation of their rights. It shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. It shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The Board shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

11.3 The Board shall be transparent and fair in the conduct of the annual and special shareholder's meetings of the Company. The shareholders shall be

encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy or the necessary processes in order to attend by remote means or *in absentia as provided* in the Revised Corporation Code. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the shareholder's favor.

12. MONITORING AND ASSESSMENT

- 12.1 Each Board Committee shall report regularly to the Board of Directors.
- 12.2 The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual, based on a comply or explain approach.
- 12.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Company. The adoption of such evaluation system must be approved by the Board.

The compliance of the Company with this Manual shall be reported in the Annual Corporate Governance Report.

- 12.4 This Manual shall be reviewed every two years unless otherwise directed by the Board.
- 12.5 All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this Manual shall be revoked or suspended unless or until upgraded to the compliant extent.

This Revised Manual on Corporate Governance is hereby adopted this February 11, 2021.

Signed:

(Signed)
MANUEL V. PANGILINAN
Chairman of the Board

(Signed)
CHRISTOPHER DANIEL C. LIZO
Chief Compliance Officer

(Signed)
ARTEMIO V. PANGANIBAN
Chairman, Governance and Risk Committee