



ALVIERA

COUNTRY CLUB

**MANUAL ON CORPORATE GOVERNANCE
(AMENDED 8 AUGUST 2022)**

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ARTICLE I PREAMBLE

Corporate Governance refers to the “*system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders/members 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 and Senior Management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society. Its purpose is to maximize the organization’s long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders and the nation*” (SEC Memorandum Circular No. 24, Series of 2019, otherwise known as the “Code of Corporate Governance for Public Companies and Registered Issuers”). It encompasses the entirety of the legal and factual regulatory framework for managing and supervising a corporation. The primary goal of corporate governance is to create and sustain increased value in the corporation for all of its stakeholders. To achieve this goal, it is necessary – among other things – to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stakeholders concerned, thereby safeguarding stakeholders’ rights as well as promoting stakeholders’ participation in the corporate governance process.

The framework for corporate governance is not drawn from any single document. The Philippine Revised Corporation Code (Republic Act (“R.A.”) No. 11232) lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (R. A. No. 8799), the Securities and Exchange Commission (the “Commission”) implementing rules and regulations, and the Code of Corporate Governance for Public Companies and Registered Issuers (SEC Memorandum Circular No. 24, Series of 2019). All the terms used herein are used with the meanings assigned to them by said laws and implementing rules and regulations.

The machinery for corporate governance of Alviera Country Club, Inc. (the “Corporation”) is principally contained in the Corporation’s Articles of Incorporation (the “Articles”) and By-Laws and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of Directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Manual on Corporate Governance (the “Manual”) is to supplement and complement the Corporation’s Articles and By-Laws by setting forth principles of good and transparent governance.

The Board of Directors, Management, officers and employees of the Corporation commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization.

ARTICLE II GOVERNANCE

1. The Board of Directors

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the Directors, acting as a board, have the fullest powers to regulate the concerns of the Corporation according to their best judgment. Corollary to setting the policies for the accomplishment of the corporate objectives, the Board of Directors shall provide an independent check on Management and promote and adhere to the principles and best practices of corporate governance, which shall be exercised in the best interest of the Corporation, its shareholders and other stakeholders.

1.1 Composition

The Board of Directors shall have such number of Directors as may be indicated in the Corporation's Articles, majority of whom shall be non-executive Directors, who shall be elected by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

Since the shares of the Corporation are registered with the Commission pursuant to Section 12 of the Securities Regulation Code ("SRC") and SRC Rule 12, the Corporation shall conform with the legal requirement to have at least two (2) independent directors or such number of independent directors as shall constitute twenty percent (20%) of the members of the Board, whichever is higher. The independent directors shall be identified in the annual report of the Corporation.

In the selection of candidates for the Board, the objectives set by the Board shall be seriously considered, as well as the required knowledge, abilities, experience, and different backgrounds of the directors needed to successfully manage the Corporation.

The Board shall regularly review its composition, taking into account the evolving requirements of the Corporation, and best practices in corporate governance.

1.2 Board Diversity

Efforts and careful attention shall be given to ensure that there is independence and diversity, and that there is appropriate representation of women in the Board of Directors to perform its functions, avoid groupthink, and ensure that optimal decision-making is achieved, subject to the possession of the knowledge, abilities, and experience determined by the Board of Directors as may be necessary for it to be properly perform its functions.

Diversity shall not be limited to gender and shall include age, ethnicity, culture, skills, competence, and knowledge.

1.3 Qualifications

A director of the Corporation shall have the following qualifications:

- a. Ownership of at least one (1) share of the capital stock of the Corporation;

- b. At least twenty-one (21) years of age;
- c. A college degree or its equivalent or adequate competence and understanding of the fundamentals of the leisure industry or sufficient experience and competence in managing a business to substitute for such formal education;
- d. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;
- e. Practical understanding of the business of the Corporation;
- f. Membership in good standing in relevant industry, business or professional organization;
- g. Previous business experience.

1.4 Retirement Age

With a view towards adopting an effective succession planning program for Directors, as a general rule, the retirement age for Directors is 80 years old, subject to such exceptions as may be approved by the Board of Directors, taking into account the relevant qualifications and invaluable contribution of the Director and the special circumstances affecting the Corporation.

1.5 Permanent Disqualifications

The following persons are permanently disqualified from being a director of the Corporation:

- 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 adviser, 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 any misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or other administrative body of competent jurisdiction from; (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or other administrative body denying, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or *Bangko Sentral ng Pilipinas*, or under any rule or regulation issued by the Commission or *Bangko Sentral ng Pilipinas*, 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 from association with a member or participant of the organization;
- c. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
 - d. Any person who has been adjudged by final judgment or order of the Commission, *Bangko Sentral ng Pilipinas*, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of any provision of the Revised Corporation Code, Securities Regulation Code or any other law administered by the Commission or *Bangko Sentral ng Pilipinas*, or any of its rule, regulation, or order;
 - e. Any person judicially declared as insolvent;
 - f. 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 (e) above; and
 - g. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of his election or appointment and other grounds as the Commission may provide.
 - h. No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. 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 beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation; or
 - ii. 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 corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
 - iii. If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

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 relations.

- i. Other grounds as the SEC may provide pursuant to the Revised Corporation Code, Securities Regulation Code, and other related laws.

1.6 Temporary Disqualification of Directors

The following are grounds for temporary disqualification of incumbent directors:

- a. Refusal to fully disclose the extent of his business interest as required under 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 regular and special meetings of the Board of Directors during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. 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 from any involvement in the cause that gave rise to his dismissal, termination, or removal.
- d. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- e. Being under preventive suspension by the Corporation for any reason.
- f. If any of the judgment or orders cited in the grounds for permanent disqualification has not yet become final.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board. When temporarily disqualified by the Board, the director shall, within sixty (60) business days from such disqualification, take appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification becomes permanent.

1.7 Independent Directors

Independent Directors shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. Moreover, for purposes of compliance with the legal requirement on Independent Directors:

- a. Officers, executives, and employees of the Corporation may be elected as Directors but cannot and shall not be characterized as Independent Directors.

- b. If a Director elected or appointed as an Independent Director subsequently becomes an officer or employee of the Corporation, the Corporation shall forthwith cease to consider him as an Independent Director.
- c. If the beneficial security ownership of an Independent Director in the Corporation or in its related companies exceeds two percent (2%), the Corporation shall forthwith cease to consider him as an Independent Director until the beneficial security ownership of the Director is reduced to two percent (2%) or lower.
- d. The Corporation shall, as appropriate, provide Independent Directors with technical support staff to assist them in performing their duties for the Corporation's committees of which they are members. Independent Directors may, when necessary, also request and receive support from executives, employees, or outside professionals such as auditors, advisers, and counsel to perform such duties. The Corporation shall cover the reasonable expenses of providing such support.
- e. The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. After which, the Independent Director shall be perpetually barred from re-election as such in the Corporation but may continue to qualify for nomination and election as a non-Independent Director. In the instance that the Corporation wants to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justification/s and secure shareholders' approval during the annual shareholders' meeting.
- f. The Board shall designate a lead Director among the Independent Directors if the Chairman of the Board of Directors is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer or its equivalent are held by one person to ensure independent views and perspective and avoid abuse of power and authority, and potential conflict of interest.

The functions of the lead Independent Director include, among others, the following:

- i. Serving as an intermediary between the Chairman and the other Directors when necessary;
 - ii. Convening and chairing meetings of the non-executive Directors; and
 - iii. Contributing to the performance evaluation of the Chairman, as may be required.
- g. An Independent Director refers to a person who, ideally:
- i. Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
 - ii. Is not, and has not been in the two (2) years immediately preceding the election, a Director of the Corporation; a Director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a Director, officer, employee of the Corporation's substantial shareholders and its related companies;

- iii. Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairperson “*Emeritus*,” “*ex-officio*” director/officer or member of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
- iv. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates, or related companies;
- v. Is not a relative of a director, officer, or substantial shareholder of the Corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother, or sister;
- vi. Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- vii. Is not a securities broker-dealer of listed companies and registered issuers of securities. “Securities broker-dealer” refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- viii. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent, or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- ix. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm’s length and could not materially interfere with or influence the exercise of his independent within the two (2) years immediately preceding the date of his election;
- x. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- xi. Is not employed as an executive officer of another company where any of the Corporation’s executives serve as directors.

Related companies, as used in this section, refer to (a) the Corporation’s holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

1.8 Policy on Multiple Board Seats

- a. A Director shall exercise due discretion in accepting and holding directorships outside of the Corporation. A Director may hold any number of directorships outside of the Corporation, *provided*, that in the Director's opinion, these other positions do not detract from the Director's capacity to diligently perform his duties as a Director of the Corporation.
- b. Any limitations in the number of directorships outside of the Corporation shall not include directorships in the Corporation's subsidiaries, affiliates, parent company, and affiliates and subsidiaries of the parent company.
- c. The non-executive Directors of the Board shall not concurrently serve as Directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the Director also sits in at least three (3) publicly-listed companies.

1.9 Board Meetings and Quorum Requirements

- a. Members 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.
- b. An Independent Director shall, as far as possible, be in attendance. However, the absence of an Independent Director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.
- c. The non-executive Directors shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive Directors present to ensure that proper checks and balances are in place within the Corporation. The meetings shall be chaired by the lead Independent Director.

1.10 Remuneration of Directors

In accordance with the By-Laws of the Corporation, the members of the Board of Directors of the Corporation shall not receive any remuneration from the Corporation as such Director.

1.11 General Responsibility of the Board for Good Governance

- a. Compliance with the principles of good governance shall start with the Board of Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation in a manner consistent with its corporate objectives and the best interests of its shareholders and other stakeholders.
- b. To ensure good governance of the Corporation, the Board should establish the vision and mission and strategic objectives and key policies and procedures for the management of the Corporation, as well as the mechanism for monitoring and evaluating Management's performance.

- c. To the extent set forth above, the Board of Directors shall orient all its activities towards these general guidelines:
 - i. All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Corporation's constitutive documents.
 - ii. All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Company in a sustainable manner.
- d. The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
 - i. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and enterprise risk management framework and reporting system;
 - ii. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
 - iii. Reviewing proposed appointments to senior Management and officer and director positions;
 - iv. Ensuring the selection, appointment, and retention of qualified and competent management; reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;
 - v. Institutionalizing the internal audit function; and
 - vi. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.
- e. The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.
- f. The Board shall adopt a Code of Business Conduct and Ethics which will provide standards for professional and ethical behavior, as well as acceptable and unacceptable conduct and practices in internal and external dealings of board members. The Code shall be properly disseminated to all members of the Board and the Corporation's employees through orientations and trainings. It shall also be disclosed and made available to the public through the company website. The Board shall ensure the proper and efficient implementation and monitoring with the Code.
- g. The Board shall establish policies, programs, and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance. Moreover, the Board shall establish a suitable framework for whistleblowing that allows employees to communicate their concerns about illegal or

unethical practices, without fear of retaliation, and to have access to an independent member of the Board or a unit created to handle whistleblowing concerns.

1.12 Board Self-Assessment

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and committees.

1.13 Specific Duties of the Board of Directors

The Board shall exert its best effort to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders. To do so, it shall perform with honesty and integrity all the duties and functions which it is required to perform in the Corporation's By-Laws and, additionally, shall:

- a. Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and minutes should be taken of such meetings;
- b. Constitute the committees as required in the By-Laws of the Corporation and as set forth in this Manual;
- c. Select and appoint a President/Chief Executive Officer ("CEO") and other senior officers with the appropriate level of motivation, integrity, competence, and professionalism;
- d. Adopt a professional development program for employees and officers, as well as directors, including relevant annual continuing training for all directors, and succession planning for directors, senior management, and key positions in the Corporation;
- e. Provide sound written policies and strategic guidelines on key capital expenditures, establish programs that can sustain its long-term viability and strength, and periodically evaluate and monitor implementation of such strategies, including the business plans, operating budgets and Management's overall performance;
- f. Ensure that the Corporation faithfully complies with all relevant laws, regulations, and as far as possible, best business practices;
- g. Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the Commission and the Corporation's stakeholders on matters of importance;
- h. Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be regularly reviewed and updated for effectiveness;
- i. Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas, to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;

- j. Be primarily responsible to the shareholders for financial reporting and control, and provide all stakeholders relevant and timely information about the Corporation, including an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the Commission, and maintain a sound system of internal control to safeguard stakeholders' investment and the Corporation's assets;
- k. Recommend to the shareholders the appointment of external auditors, in accordance with the recommendation of the Audit and Risk Oversight Committee;
- l. Create a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;
- m. Attend a seminar on corporate governance conducted by a duly recognized private or government institute not later than sixty (60) days from assumption of office, except if the director has previously complied with this requirement;
- n. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies; appoint competent, professional, honest and highly-motivated management officers; adopt an effective succession planning program for Management;
- o. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- p. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions ("RPT") between and among the Corporation and its parent company, affiliates, major stockholders, officers, and Directors, including their spouses, children, and dependent siblings and parents, and of interlocking director relationships by members of the Board.

The RPT Policy may include the following:

- i. Identification of related parties
- ii. Coverage of RPT Policy
- iii. Guidelines in ensuring arm's-length terms
- iv. Identification and prevention or management of potential or actual conflicts of interest which may arise
- v. Adoption of materiality thresholds, as well as internal limits for individual and aggregate exposures
- vi. Approval of material RPTs based on the company's materiality threshold
- vii. Disclosure requirement of material RPTs

- viii. Self-assessment and periodic review of policy
- ix. Whistle-blowing mechanisms
- x. Restitution of losses and other remedies for abusive RPTs;
- q. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or difference between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;
- r. 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;
- s. Adopt a retirement policy for key officers.

1.14 Specific Responsibilities of each Director

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

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

- a. Conduct fair business transactions with the Corporation and ensure that personal interest does not conflict with the interests of the Corporation. A Director shall 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. He should observe the conflict of interest policy stated in this Manual. A Director shall not receive remuneration or salary from the Corporation.
- b. Devote time and attention necessary to properly discharge his duties and responsibilities. A Director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work.
- c. A director should attend and actively participate in Board and committee meetings, review meeting materials, and, if called for, ask questions or seek explanation.
- d. Act judiciously. Before deciding on any matter brought before the Board of Directors, every Director should evaluate the issues, ask questions and seek clarifications as appropriate.
- e. Exercise independent judgment. A Director should view each problem or situation objectively and support plans and ideas which he believes are beneficial to the Corporation. 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.

- f. Have a working knowledge of the statutory and regulatory requirements affecting the Corporation. This includes a firm knowledge of the contents of the Articles and By-Laws of the Corporation and the amendments thereof, the requirements of the Commission for the conduct of the Corporation's business and its rules and regulations, 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 Corporation's competitiveness.
- g. Observe confidentiality. A Director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as a Director. He should not disclose confidential information to unauthorized persons without the authority of the Board.
- h. Ensure the continuing soundness, effectiveness, and adequacy of the Corporation's control environment. Each director is responsible for assuring that actions taken by the Board shall maintain the adequacy of the control environment within the Corporation.
- i. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all shareholders/stakeholders and all stakeholders.
- j. Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution. The re-elected Directors shall likewise attend, at least once a year, a seminar on corporate governance which shall be conducted by training providers that are duly accredited by the Commission.
- k. Notify the Board before accepting a directorship in another company.

1.15 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders, and other persons.

When a Director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation, in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

2. Board Committees

The Board of Directors may create such committees and designate its respective chairmen as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance. As a minimum, however, the Board shall be supported by the following committees:

2.1 Executive Committee

The Board shall form an Executive Committee and appoint not less than three (3) members to the Executive Committee, one of whom shall be the President. The Board, by the vote of at least a majority of the remaining Directors, still constituting a quorum, shall have the power at any time to elect, remove for any cause, and replace the members of, and fill vacancies in, the Executive Committee. The members of the Executive Committee shall appoint a Chairman from among themselves. Every decision of the Executive Committee shall require the affirmative vote or written assent of a majority of the members of the Executive Committee constituting a quorum.

- a. The Executive Committee shall have, and may exercise, in the intervals between meetings of the Board, all of the powers of the Board in the day-to-day management of the business and affairs of the Corporation, except with respect to:
 - i. Approval of any action for which stockholders' approval is also required;
 - ii. Filling of vacancies in the Board or in the Executive Committee;
 - iii. Amendment or repeal of the Corporation's By-Laws or the adoption of new By-Laws;
 - iv. Amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and
 - v. Such other matters as may be specifically excluded or limited by Philippine law or the Board of Directors.
- b. 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.

2.2 Corporate Governance and Nomination Committee

The Board shall form a Corporate Governance and Nomination Committee which shall be composed of not less than three (3) members majority of whom shall be independent directors including the Chairman.

- a. It shall have the following responsibilities, duties, and functions:
 - i. Oversee the implementation of the corporate governance framework and to periodically review the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments;

- ii. Oversee the periodic performance evaluation of the Board of Directors and its committees as well as the executive management, and to conduct an annual evaluation of the said performance;
- iii. Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- iv. Recommend, propose, and plan the continuing education/relevant training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- v. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- vi. Determine and promulgate the guidelines or criteria that shall govern the nomination and election process for the company's directors in accordance with Rule 38 of the Securities Regulation Code and its implementing rules and regulations and any amendments thereto, define the general profile of Board members that the company may need, and ensure that appropriate knowledge, competencies, and expertise that complement the existing skills of the members of the Board of Directors are adopted as standards and criteria for nomination and election;
- vii. Establish a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the Corporation's culture and business strategy as well as the business environment in which it operates;
- viii. Designate the amount of remuneration which shall be in a sufficient level to attract and retain key personnel who are needed to run the Corporation successfully;
- ix. Disallow any proposal for a Director to receive any form of remuneration by reason of his position as Director;
- x. 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;
- xi. In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above;
- xii. Review and evaluate the qualifications of all persons nominated to the Board of Directors and other appointments that require Board approval;

- xiii. Provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary, and recommend to the Board policies for considering nominees for Directors, officers, or advisors; and
 - xiv. Review and disclose succession plans for members of the Board of Directors and officers to the President/CEO.
- b. The procedure for nomination shall be as follows:
- i. All nominations shall be submitted to the Corporate Governance and Nomination Committee by any stockholder of record during the nomination period as may be determined by the Corporate Governance and Nomination Committee; *provided*, that the last day of the nomination period shall not be less than forty-five (45) calendar days prior to the annual stockholders' meeting to allow the Corporate Governance and Nomination Committee sufficient time to assess and evaluate the qualifications of the nominees;
 - ii. All recommendations for the nomination of Independent Director shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees;
 - iii. After the nomination, the Corporate Governance and Nomination Committee shall prepare a List of Candidates which shall contain all the information about all the nominees for election as members of the Board of Directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Corporation will be requested to submit to the Commission;
 - iv. The name of the person or group of persons who recommended the nomination of the Independent Director(s) shall be identified in such report including any relationship with the nominee; and
 - v. Only nominees whose names appear on the List of Candidates shall be eligible for election as directors. No other nominations for election as director shall be entertained after the List of Candidates shall have been prepared and finalized. No further nominations for election as director shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

2.3 Standing Committees

The Board of Directors may create such standing committees as it may deem reasonable and necessary in the proper operation of the Corporation such as, but not limited to, the Membership Committee, Finance Committee, Audit and Risk Oversight Committee, Social Activities Committee, House Committee, and Sports Committee, subject to the requirements and limitations set in the Corporation's By-Laws.

The chairman of each of the standing committees shall be appointed by the President from among the members of the Board of Directors within fifteen (15) days from the organizational meeting of the Board of Directors. The members of each of the standing committees shall be appointed by the

chairman of such committee, subject to the concurrence by the Board of Directors. The General Manager shall sit in each standing committee as an *ex-officio* member. The chairman and members shall serve for a period of one (1) year or until their successors are appointed and qualified; *provided*, that in the event that the chairman of a committee ceases to be director for any reason, then he shall cease to be the chairman of such committee, and the President may appoint his replacement from the remaining members of the Board of Directors for the unexpired term of such chairman.

The chairmen of the standing committees shall be the President's Advisory Board. They shall generally perform staff functions, formulate, propose, and recommend policies and procedures and shall report and be directly responsible to the President.

a. Membership Committee

- a.1. The Membership Committee shall consist of not less than three (3) members. It shall have the following duties and responsibilities:
 - i. Establish guidelines and procedures governing the processing of applications for membership in accordance with the By-laws;
 - ii. Evaluate applications for membership and determine compliance by applicants with the qualifications established by the Board of Directors for membership in the Corporation;
 - iii. Approve or disapprove applications for membership in the Corporation, subject to the ratification by the Board of Directors in its next Board Meeting;
 - iv. Submit to the Board of Directors its recommendations for qualifications for membership in the Corporation in addition to those prescribed in the By-laws and Handbook;
 - v. Elect its own members, in case of vacancy; and
 - vi. Exercise such other powers and perform such functions as may be necessary or incidental to their duties and responsibilities or required or authorized by the Board of Directors.
- a.2. The Membership Committee shall act by a majority vote of all its members. The Membership Committee shall formulate its own rules of procedure. An act of the Membership Committee, which is within the scope of its powers, shall not require ratification or approval by the Board of Directors for its validity and effectivity, *however*, the Board of Directors may, at any time, enlarge or redefine the powers of the Membership Committee. All actions of the Membership 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.

b. Audit and Risk Oversight Committee

The Audit and Risk Oversight Committee shall consist of not less than three (3) members, all of whom shall be non-executive directors and majority of whom shall be independent directors, including the Chairman. The Chairman of the Audit and Risk Oversight Committee shall not be the chairman of the Board of Directors or of any other committee.

- b.1. Each member of the Audit and Risk Oversight Committee shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's financial management systems and environment in particular. At least one (1) member of the Audit and Risk Oversight Committee shall have auditing experience and accounting expertise. At least one (1) member shall have relevant thorough knowledge and experience on risk and risk management.
- b.2. The Audit and Risk Oversight Committee is expected, through the provision of checks and balances, to bring positive results in supervising and supporting the management of the Corporation. It shall have the following particular duties and responsibilities:

Internal Audit:

- i. Set up the Internal Audit Group, including the appointment of the Chief Audit Executive ("CAE"); establish and identify the reporting line of the Internal Auditor so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The CAE shall report directly to the Committee functionally. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal. The Committee shall set up the qualification criteria for internal auditors;
- ii. Ensure that the Internal Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;
- iii. Review and approve the Internal Audit Charter and subsequent revisions thereto for approval of the Board. The Internal Audit Charter shall be periodically reviewed to ensure alignment with the International Standards for the Professional Practice of Internal Auditing ("ISPPA");
- iv. Review Internal Audit's periodic reports and the Internal Audit Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the Internal Audit Division's activities and performance relative to the audit plans and strategies approved by the Committee;
- v. Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk. Internal audit examination should cover, at least, the

- evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems including the reliability and integrity of financial and operating information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts;
- vi. Review and approve the terms and conditions for any outsourcing and co-sourcing agreements of the internal audit function. The CAE shall oversee and be responsible for the internal audit activity that is outsourced to a third-party service provider and co-sourced function;
 - vii. Review reports of the Internal Auditors and regulatory agencies, where applicable, ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues;
 - viii. Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately;
 - ix. Provide inputs on the performance of the Internal Audit Division and communicate/discuss such inputs with the Chief Finance Officer ("CFO") who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole;
 - x. Institute special investigations as necessary and, if appropriate, hire special counsels or experts to provide the necessary assistance; and
 - xi. Review evaluation of compliance with the Code of Conduct for management.

Financial Reporting:

- i. Review the financial statements and all related disclosures and reports certified by the Chief Financial Officer and released to the public and/or submitted to the SEC and for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements;
- ii. Elevate to international standards the accounting and auditing processes, practices, and methodologies;
- iii. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a Procedures and Policies Handbook that will be used by the entire organization;
- iv. Review the periodic financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgment areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and regulatory requirements;

- v. Review and approve management representation before submission to the Independent Auditor;
- vi. Ensure that actions and measures in case of finding of error or fraud in the financial statements and related disclosures are in place and followed;
- vii. Review unusual or complex transactions including all related party transactions (“RPT”); and
- viii. Communicate with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

Independent Audit:

- i. Review and pre-approve the Independent Auditor’s plans before the conduct of external audit to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.
- ii. Provide oversight of the Corporation’s Independent Auditor and ensure their independence and unrestricted access to all records, properties, and personnel to enable them to perform their independent audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- iii. Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure cooperation where more than one audit firm is needed;
- iv. Review reports Independent Auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control, governance, and compliance issues;
- v. Review and recommend to the Board of Directors the appointment, reappointment, removal, and remuneration of Independent Auditor(s), duly accredited by the Commission, who undertake an independent audit of the Corporation and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders. The Committee shall conduct an assessment of independence and professional qualifications and competence of the Independent Auditor and ensure that a rotation process is observed in the engagement of independent auditor;
- vi. Approve the audit services rendered by the Independent Auditor to ensure that these do not impair the Independent Auditor’s independence. The approval of the audit-related services and non-audit services of the Independent Auditor is delegated to Management (refer to Policy on Audit, Audit-Related and Non-Audit Services (NAS) Awarded to Independent Auditors). The amount of both audit and non-audit work of Independent

- Auditors shall be disclosed in the annual report and Annual Corporate Governance Report;
- vii. Monitor the coordination of efforts between the Independent and Internal Auditors;
- viii. Conduct a separate meeting in executive session with the Independent Auditors to discuss any matter that the Committee or Independent Auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls; and
- ix. Ensure that there is a process in place for understanding disagreements between the independent auditor and the Management of the Corporation.

Related Party Transaction (“RPT”)

- i. Evaluate, on an ongoing basis, existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- ii. Evaluate all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied;
- iii. Determine any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Audit and Risk Oversight Committee shall take into account, among others the following:
- The related party’s relationship to the Corporation and interest in the transaction;
 - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - The benefits to the corporation of the proposed RPT;
 - The availability of other sources of comparable products or services; and
 - An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable with the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery system in

place and exercise due diligence in determining a fair price for RPTs.

- iv. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties;
- v. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- vi. Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and
- vii. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

Risk Oversight

- i. Review the adequacy of the Corporation's risk management framework, ensure that an overall set of risk management policies and procedures exist for the Corporation and oversee its implementation;
- ii. Develop a formal Enterprise Risk Management ("ERM") plan which contains the following elements: (a) common language or register of risks; (b) well-defined risk management goals and objectives; (c) uniform processes of assessing risks and developing strategies to manage prioritized risks; (d) designing and implementing risk management strategies; and (e) continuing assessments to improve risk strategies, processes and measures;
- iii. Oversee the implementation of the ERM plan and regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- iv. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, and revisit defined risk management strategies, look for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;
- v. Advise the Board on its risk appetite levels and risk tolerance limits;

- vi. Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Corporation;
- vii. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders;
- viii. Oversee the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management;
- ix. Monitor the risk management activities of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors. This includes ensuring that the Corporation maintains a framework for fraud prevention and detection (i.e. Whistleblower Program) and plans for business continuity (i.e. Business Continuity Plan); and
- x. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as may be necessary.

When formed, the Internal Audit group of the Corporation shall support the Audit and Risk Oversight Committee in the rendition of its functions.

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

ARTICLE III MANAGEMENT

1. General Responsibilities of Management

Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with information technology strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training, and selection of successors in key positions in the Corporation.

Management is primarily accountable to the Board for the operations of the Corporation. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner.

2. Executive Officers of the Corporation

The Executive Officers of the Corporation are the President (who shall be the Chief Executive Officer or CEO of the Corporation), Vice-President, and Chief Finance Officer. The Executive Officers, Chairman, Vice-Chairman, Treasurer, and Corporate Secretary shall be appointed by the Board of Directors. In addition:

- i. The Board of Directors may, in its discretion and in accordance with the By-Laws, appoint one or more Assistant Corporate Secretaries, Assistant Treasurers, and such other officers as it may deem proper.
- ii. The roles of the Chairman and the President should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. A clear delineation of functions should be made between the Chairman and the President upon their election.

3. Roles of the Officers of the Corporation

3.1 Chairman of the Board

The Chairman of the Board shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. In addition to the powers/duties specified in the By-Laws, the Chairman shall:

- a. Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- b. Supervise the preparation of the meeting agenda in coordination with the Corporate Secretary, focusing on strategic matters including overall risk appetite of the Corporation and taking into consideration the suggestions of the President, Management and directors and developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

- c. Maintain accurate, qualitative and timely lines of communication and information between the Board and Management;
- d. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- e. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- f. Assures the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- g. Makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

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

3.2 Vice-Chairman

The Vice Chairman assists in carrying out the functions of the Chairman and performs specific duties as delegated to him by the Board.

3.3 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 Corporation's organizational and procedural controls. In addition to the duties imposed on him by the By-Laws and the Board of Directors, the President/CEO shall:

- a. Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
- b. See that all orders and resolutions of the Board of Directors are carried into effect;
- c. Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs; and
- d. Report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice.

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

3.4 The Vice-President

The Vice-President shall act in place of the President in case of resignation, absence, or incapacity of the latter. He shall perform such functions as may be delegated to him by the President or by the Board of Directors.

3.5 The Treasurer

The Treasurer of the Corporation shall be a resident of the Philippines. He shall have charge of the funds, securities, receipts and disbursements of the Corporation. In addition to the duties specified in the By-Laws, the Treasurer shall have the following functions:

- a. Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- b. Regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- c. Ensure funds availability on a timely basis and at the most economical means;
- d. Optimize yields in temporary excess funds; and
- e. 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.

3.6 The Chief Finance Officer (“CFO”)

The Chief Finance Officer shall be appointed by the Board of Directors. The CFO, who may also be the Treasurer of the Corporation, if qualified, shall, in addition to the duties specified in the By-Laws, be responsible for the following:

- a. Provide Management with accurate, relevant, and 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;
- b. 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; and
- c. Strengthen internal controls by monitoring compliance with policies; recommend to Management appropriate actions and changes in systems and procedures as necessitated by circumstances.

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

3.7 The Corporate Secretary

The Corporate Secretary shall be a resident and citizen of the Philippines. He is a non-executive officer of the Corporation and his loyalty to the mission, vision, and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he

must possess organizational and interpersonal skills and must also have some financial and accounting knowledge.

In addition to the duties specified in the By-Laws, the Corporate Secretary shall have the following functions:

- a. Serve as an adviser to the Directors on their responsibilities and obligations;
- b. Keep and preserve the integrity of the minutes of meetings of the stockholders, the Board of Directors, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President, and other members of the Board as appropriate;
- c. Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
- d. Have charge of the stock certificate book and such other books and papers as the Board may direct;
- e. Attend to the giving and serving of notices of Board and shareholder meetings;
- f. Be fully informed and be part of the scheduling process of other activities of the Board;
- g. Prepare an annual schedule of board meetings and the regular agenda of meetings, and put the Board on notice of such agenda at least five (5) working days before the date of the meeting; ensure that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Oversee the adequate flow of information to the Board prior to meetings;
- i. Ensure fulfillment of disclosure requirements to the Commission;
- j. Be loyal to the mission, vision and objectives of the Corporation;
- k. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- l. Have appropriate administrative and interpersonal skills;
- m. Have a working knowledge of the operations of the Corporation;
- n. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- o. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- p. Attend annual trainings on corporate governance.

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.

3.8 The Compliance Officer

The Board shall appoint a Compliance Officer who is not a member of the Board of Directors, and not the Corporate Secretary. He shall report directly to the Chairman of the Board. The Compliance Officer shall perform the following duties:

- a. Operationalize this Manual, and monitor compliance by the Corporation therewith as well as the rules and regulations of regulatory agencies and if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the Commission when summoned in relation to compliance with this Manual;
- c. Issue a certification as may be required by the Commission on the extent of the Corporation's compliance with this Manual for the completed year and, if there are any deviations, explain the reason for such deviation.
- d. Provide the Commission at the end of every fiscal year with a sworn certification that the requirement for Independent Directors and their attendance at meetings have been complied with as may be required by the Commission
- e. Identify, monitor, control and address compliance risks and issues;
- f. Determine violations of this Manual and create a system for according due notice, hearing, and due process for dealing with violations of the Manual;
- g. Attend annual trainings on corporate governance; and
- h. Perform such other duties and responsibilities as may be provided by the Board and the Commission.

The appointment of the Compliance Officer shall be immediately disclosed to the Commission through SEC Form 17-C (Current Report). All correspondence relative to his functions as such shall be addressed to the Compliance Officer.

ARTICLE IV GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of Directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interests.

- a. A conflict of interest exists when a director or an officer of the Corporation:
 - i. Supplies or is attempting or applying to supply goods or services to the Corporation;
 - ii. Supplies or is attempting to supply goods, services, or information to an entity in competition with the Corporation;
 - iii. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
 - iv. Is offered or receives consideration for delivering the Corporation's business to a third party;
 - v. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation.
- b. If an actual or potential conflict of interest should arise on the part of Directors, it should be fully disclosed and the concerned Director should not participate in the decision making. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.
- c. A contract of the Corporation with one or more of its Directors, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity is voidable, at the option of the Corporation, unless all the following conditions are present:
 - i. 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;
 - ii. The vote of such Director was not necessary for the approval of the contract;
 - iii. The contract is fair and reasonable under the circumstances; and
 - iv. 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 a director, such contract may be ratified by the vote of shareholders 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.

- d. Where a Director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, 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 shareholders 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.

- e. All Directors and officers shall disclose or report to the Board any dealings in the Corporation's shares by the said Directors and officers within five (5) business days.

ARTICLE V AUDIT AND COMPLIANCE

1. Internal Audit

- a. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of internal auditors through which its Board, senior management and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. It shall provide the Board, Management, and the stockholders and other stakeholders an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders.
- b. The Internal Auditor shall report to the Audit and Risk Oversight Committee.
- c. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedure controls.

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

2. External Audit

- a. The Board, after consultations with the Audit and Risk Oversight Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The External Auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the External Auditor, provided it does not conflict with his duties as independent auditor, or does not pose a threat to his independence.
- b. The External Auditor shall:
 - i. Perform fair audits independently from the Corporation, its Management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;
 - ii. Check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 - iii. Attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration; and
 - iv. Perform such other functions as may be approved by the Board in its engagement of the auditor, *provided, however*, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.

- c. The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed.
- d. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation'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 or practices, financial statement disclosure or auditing scope or procedure, which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the External Auditor before its submission.
- e. If an External Auditor believes that the statements made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

3. Compliance System

To ensure adherence to corporate governance principles and best practices, the Board shall appoint a Compliance Officer in accordance with Article III, Section 3.8 of this Manual, who shall perform the duties specified therein.

4. Assessments

A self-assessment will be regularly conducted to measure the performance of the Board and Management in accordance with the criteria provided in this Manual, using the questionnaire and the rating system duly approved by the Board of Directors.

ARTICLE VI

COMMUNICATION AND INFORMATION

1. Management's Responsibility for Information

Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall formulate, under the supervision of the Audit and Risk Oversight Committee, the rules and procedures on financial reporting and internal control, which shall:

- a. Present a balanced and understandable assessment of the Corporation'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;
- b. Clearly explain the extent of Management's responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the External Auditor;
- c. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- d. Maintain an effective system of internal control that will ensure the integrity of the financial reports and protection of the Corporation's assets for the benefit of all stockholder and other stakeholders;
- e. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover at least the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
- f. Consistently comply with the financial reporting requirements of the Commission;
- g. Require the External Auditor to be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation to be changed with the same frequency;
- h. Require the Internal Auditor to render to the Audit and Risk Oversight Committee an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Risk Oversight Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Auditing Standard. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

Management shall be primarily responsible for the complete, adequate, and timely flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

2. Communication of this Manual

This Manual shall be submitted to and made available at the Commission. It shall also be available on the Corporation's website and for physical inspection by any shareholder of the Corporation at its principal office during reasonable hours on a business day.

3. Disclosure and Transparency

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for the Management and dominant shareholders to mismanage the Corporation or misappropriate its assets.

It is therefore essential that all material information about the Corporation, including non-financial information, which could adversely affect its viability or the interest of its shareholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, direct and indirect remuneration of members of the Board and Management, the Corporation's strategic (long-term goals) and operational objectives (short-term goals), as well as sustainability issues. The Board shall therefore commit at all times to full disclosure or material information dealings. It shall cause the filing of all required information and submissions to the Commission for the interest of its stockholders and other stakeholders.

ARTICLE VII

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

1. Shareholders' Rights

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

1.1 Voting Right

Shareholders have the right to elect, remove, and replace Directors and vote on certain corporate acts in accordance with the Revised Corporation Code, and the Articles and By-Laws of the Corporation.

1.2 Pre-emptive Right

All shareholders have pre-emptive rights to subscribe to the capital stock of the Corporation, unless such right is specifically denied or restricted in the Articles of the Corporation or any amendment thereto. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Revised Corporation Code.

1.3 Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Revised Corporation Code and shall be provided an annual report, including financial statements.

1.4 Right to Information

Upon request and for a legitimate purpose, a shareholder shall be provided, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

The minority shareholders shall have 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.

In accordance with existing law and jurisprudence, 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 should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

1.5 Right to Assets Upon Dissolution

Shareholders shall be entitled to a pro-rata share of the assets of the Corporation at the time of dissolution or liquidation thereof for as long as the shares issued by the Corporation to such shareholders are proprietary shares.

1.6 Appraisal Right

In accordance with the Revised Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

- i. 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 of corporate existence;
- ii. In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; and
- iii. In case of merger or consolidation.

1.7 Alternative Dispute Mechanism for Intra-Corporate Dispute

The Corporation adopts the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, as an alternative means to settle disputes with a view towards preventing excessive litigation.

2. Duty of Directors to Promote Shareholders' Rights

- a. It is the duty of the Directors to promote the shareholders' rights, remove impediments to the exercise of those rights, and provide an adequate avenue for them to seek timely redress for breach of their rights. They shall encourage the exercise of the shareholders' voting rights in accordance with the By-Laws and the solution of collective action problems through appropriate mechanisms.
- b. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
- c. The Board shall establish a Sales & Membership Department to ensure constant engagement and communication to with the Corporation's shareholders. The Sales & Membership Department shall be present at every shareholders' meeting.

ARTICLE VIII

STAKEHOLDERS' RIGHTS

The Corporation shall respect the rights of stakeholders established by law, by contractual relations, and through voluntary commitments.

1. The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the company in creating wealth, growth, and sustainability; and
2. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment, protection, and enforcement of the rights of stakeholders.

ARTICLE IX

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's Directors, officers and staff, in case of violation of any of the provisions of this Manual:

1. In case of a first violation, the subject person shall be reprimanded;
2. In case of a second violation, suspension from office or employment shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
3. In case of a third violation, removal from office or employment. The commission of a third violation of this Manual by any member of the Board shall be a sufficient cause for removal from directorship.

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

ARTICLE XI

ADOPTION AND EFFECTIVITY

This Manual was adopted by the Board of Directors of the Corporation on April 30, 2015 and was initially amended by the Board of Directors effective August 15, 2017. Subsequent amendments were approved and adopted by the Board of Directors effective June 26, 2020.

The authority to review and approve the present amendments were delegated to the Chairman of the Board of Directors and the Compliance Officer in the meeting of the Board of Directors held on September 30, 2021. The amendments (underscored) were approved and ratified by the Board of Directors on August 8, 2022.

SIGNED:

LEONARDO L. LEONIO
Chairman of the Board

MA. DIVINA Y. LÓPEZ
Comptroller, Chief Finance
Officer and Compliance Officer