

30 May 2017

**SECURITIES AND EXCHANGE COMMISSION**  
G/F Secretariat Building, PICC Complex,  
Roxas Boulevard, Pasay City



Attention: **MS. JUSTINA F. CALLANGAN**  
*Director of Corporate Governance & Finance Dept.*

Re: Revised Manual of Corporate Governance in  
Compliance with the SEC Memorandum  
Circular No. 19, Series of 2016  
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Gentlemen:

In compliance with the Securities and Exchange Commission ("SEC") Memorandum Circular No. 19, Series of 2016, we hereby respectfully submit the Company's Revised Manual of Corporate Governance, which was approved and adopted by the Board of Directors of Travellers International Hotel Group, Inc. on 8 May 2017.

We trust that you will find everything in order.

Thank you.

Very truly yours,

  
**ATTY. MA. GEORGINA A. ALVAREZ**  
Corporate Compliance Officer

# TRAVELLERS

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## INTERNATIONAL

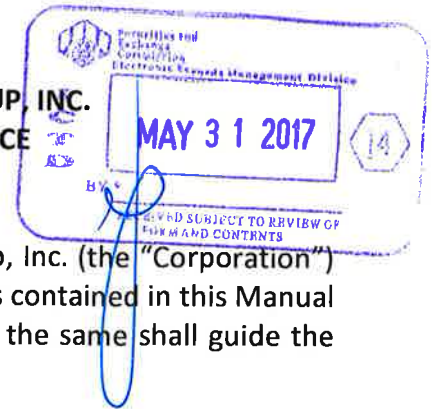
**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**

**MANUAL OF CORPORATE GOVERNANCE**

10<sup>th</sup> Floor, Newport Entertainment Commercial Centre Building, Newport Boulevard  
Newport Cybertourism & Economic Zone, Pasay City



**TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**  
**MANUAL ON CORPORATE GOVERNANCE**  
*(As amended)*



The Board of Directors of Travellers International Hotel Group, Inc. (the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance ("Manual"), and acknowledge that the same shall guide the pursuit of corporate goals.

**1 COMMITMENT TO GOOD CORPORATE GOVERNANCE**

The Board of Directors seeks to institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors believes that corporate governance is a necessary component of sound strategic business management and is committed to create awareness of the principles of good corporate governance within the organization.

**2 COMPLIANCE SYSTEM**

**2.1 Compliance Officer**

To ensure adherence to the corporate principle and best practices reflected herein, the Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. The Compliance Officer shall have the rank of at least Senior Vice President or an equivalent position with adequate stature and authority in the corporation.

The Compliance Officer is a member of the company's management team in charge of the compliance function. Similar to the Corporate Secretary, he/she is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the company. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Compliance Officer has, among others, the following duties and responsibilities:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Manual, the Revised Code of Corporate Governance, the rules and regulations and all governance issuances 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

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responsible parties and the adoption of measures to prevent a repetition of the violation;

- c. Ensures the integrity and accuracy of all documentary submissions to regulators;
- d. Appear before the Securities and Exchange Commission (the "Commission"), Anti-Money Laundering Council ("AMLC"), and other regulatory government agencies when summoned in relation to compliance with this Manual and the Revised Code of Corporate Governance;
- e. As may be required by the Commission, prepare, accomplish and submit the scorecard on the scope, nature and extent of the actions the Corporation has taken to meet the objectives of this Manual.
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the SEC.

The appointment of the Compliance Officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to the Compliance Officer's functions shall be addressed to said Compliance Officer.

## **2.2 Evaluation System and Compliance**

- a. 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:
  - (i) In case of violation, the offender shall be reprimanded.
  - (ii) For the second violation, suspension from office shall be imposed on the offender. The duration of the suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.

(iii) For the third violation, the maximum penalty of removal from office shall be imposed on the offender. In case the offender is a member of the Board of Directors, the provision of Section 28 of the Corporation Code shall be observed.

b. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

### **2.3. Board of Directors**

Compliance with the principles of good corporate governance shall start with the Board of Directors. The Corporation should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

#### **a. Responsibility for Governance**

The Board of Directors is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of corporate goals, it shall provide an independent check on Management.

#### **b. Composition of the Board**

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

The Board shall be composed of seven (7) members, 1/3 of which are independent directors, who are elected by the stockholders in accordance with the Corporation's by laws and applicable laws.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances in order that no director or small group of directors can dominate the decision-making process.

**c. Qualifications of Directors**

The Directors shall have such qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, as well as any of the following additional qualifications:

- At least One Thousand (1,000) shares of stock registered in his name;
- A college degree;
- Business experience;
- Practical understanding of the business of the Corporation; and,
- Membership in good standing in a relevant industry, business or professional organization.

**d. Disqualifications of Directors**

Any of the following shall be a ground for **permanent disqualification** of a director:

- Hostile or antagonistic to, or is engaged in any business which competes with or is antagonistic to that of, the corporation or any of its subsidiaries or affiliates;

A person shall be antagonistic or deemed to be so engaged:

✓ If he is, or he is an officer, manager, or controlling person of, or the owner or a member of his immediate family is the owner (either of record or beneficial owner) of 20% or more of any outstanding class of shares of any corporation (other than one in which this Corporation owns at least 30% of the capital stock) which is, hostile or antagonistic to or is engaged in a business competitive or antagonistic to that of the Corporation or any of its subsidiaries or affiliates;

✓ If he is, or he is an officer, manager, or controlling person of, or the owner or a member of his immediate family is the owner (either of record or beneficial owner) of 20% or more of any outstanding class of shares of any corporation (other than one in which this Corporation owns at least 30% of the capital stock) which is an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative or judicial) by or against the Corporation or any of its subsidiaries or affiliates;

✓ If he is a nominee, officer, trustee, adviser, legal counsel of any individual set forth above.

- His beneficial security ownership exceeds 2% of the outstanding capital stock of the company;
- Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.
- The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- Any person convicted by final judgment or order by a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent act or transgression;

- Any person who has been adjudged by final judgment or order of the Commission or a court or other competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or *Bangko Sentral ng Pilipinas*, or any rule, regulation or order of the Commission or *Bangko Sentral ng Pilipinas*;
- Any independent director who becomes an officer, employee or consultant of the Corporation shall cease to be an independent director until such time that his disqualification is lifted pursuant to the Securities Regulation Code and the rules and regulations of the Commission;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

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

- Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to justifiable causes such as, illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- Dismissal or termination for cause from directorship in another corporation covered by the Revised Code of Corporate Governance. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;

- If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock, he shall cease to be an independent director. The disqualification shall be lifted if the limit is later complied with; or
- Conviction that has not yet become final referred to in the grounds for the permanent disqualification of directors.

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

**e. Independent Directors**

The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.

An Independent Director is a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. The Board should ensure that its Independent Directors possess all the qualifications and none of the disqualifications of an Independent Director to hold the position at the time of his election and/or re-election as an Independent Director. Each nominee for Independent Director shall submit a certification to this effect, in such form and substance as may be required by the SEC, before his election.

The Corporation shall endeavor to have at least Independent Directors of such number as to constitute at least one-third of the members of the Board.

An Independent Director:

- 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;
- Is not, and has not been in the three (3) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial shareholders and its related companies;

- Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;
- Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- 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;
- Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at *arm's* length and could not materially interfere with or influence the exercise of his independent judgment;

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- 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
- Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should 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 needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

**f. General Responsibility**

It shall be the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

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

**g. Duties and Functions**

To ensure a high standard of best practice for the Corporation, its stockholders, and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- Oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength.
- 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.

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- Adopts an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation.
- Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO or Chief Financial Officer shall exercise oversight responsibility over this program.
- Identify the corporation's stakeholders in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.
- Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.

- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.
- Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
- Align the remuneration of key officers and board members with the long-term interests of the company. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director should participate in discussions or deliberations involving his own remuneration.
- Keep the activities and decisions of the Board within its authority under the Corporation's Articles of Incorporation and By-laws, and in accordance with existing laws, rules and regulations.
- Appoint the Compliance Officer referred to in Section 2.1 hereof.

#### **h. Norms of Conduct**

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

A director should observe the following norms of conduct:

- (i) Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.**

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

continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

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

A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. The Board should oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength.

He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

**(iii) Act judiciously.**

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification. The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders.

**(iv) Exercise independent judgment.**

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

**(v) Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.**

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

**(vi) Observe confidentiality.**

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

Save in cases when required to be disclosed by law, regulation or any governmental or competent regulatory authority, no member of the Board may divulge/reveal any confidential information pertaining to or relating to the Corporation.

Confidential information shall mean any non-public information of a Disclosing Party including but not limited to business plans, products, technical data, specifications, documentation, rules and procedures, contracts, presentations, know-how, product plans, business methods, product functionality, services, data, customers, markets, competitive analysis, databases, formats, methodologies, applications, developments, inventions, processes, payment, delivery and inspection procedures, designs, drawings, algorithms, formulas, or information related to engineering, marketing, or finance.

**i. Internal Control Responsibilities of the Board**

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

The Board shall adopt internal control mechanisms for the performance of its oversight responsibility.

**j. Board Meetings and Quorum Requirement**

The Directors should attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/video- conferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should

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

Independent Directors should always attend Board meetings. Absence of Independent Directors in Board meetings shall not affect the quorum requirement, unless otherwise provided in the by-laws of the Corporation and applicable laws, rules and regulations. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

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 should be chaired by the Lead Independent Director.

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

**k. Remuneration of Directors and Officers**

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

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

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

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

**I. Multiple Board Seats**

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

The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

**m. Board Committees**

The Board shall constitute board committees to assist it in good corporate governance.

**(i) Nomination Committee**

The Board shall organize a Nomination Committee which shall have at least three (3) members of the Board, one of whom should be an independent director. The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election and replacement of directors. The Nomination Committee reports directly to the Board and is required to meet at least twice a year.

**(ii) Remuneration and Compensation Committee**

The Compensation or Remuneration Committee shall be composed of at least three (3) members of the Board [including the President] one of whom shall be an independent director.

The Compensation or Remuneration Committee shall establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates. The Compensation and Remuneration Committee reports directly to the Board and is required to meet at least once a year.

### **(iii) Audit Committee**

The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee shall be composed of at least three (3) non-executive members of the Board who shall preferably have accounting and finance backgrounds, majority of whom shall be independent directors and all with audit experience. The chair of the Audit Committee shall be an independent director. The Audit Committee shall meet at least two (2) times a year.

The Audit Committee has the following duties and responsibilities, among others:

- Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;

- Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- Reviews the disposition of the recommendations in the External Auditor's management letter;
- Performs oversight functions over the corporation's Internal and External Auditors;
- Ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared

and presented to the stockholders; and

- In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees.

The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

**(iv) Executive Committee**

The Executive Committee is composed of five (5) members, all of whom are directors. The Executive Committee advises and assists the officers of the Corporation in all matters concerning its interest and the management of its business and, whenever the Board is not in session, may in general exercise the powers of the Board in the management of the business and affairs of the Corporation. The Board has the power at any time to remove and replace the members of, and fill vacancies in, the Executive Committee. The Executive Committee reports directly to the Board and is required to meet at least four (4) times a year.

The Chairman of the Board shall act as ex-officio Chairman of the Executive Committee, the President as Vice-Chairman, and three (3) other members of the Board shall sit as members of the committee. The Executive Committee shall have the following powers and functions:

- To advise and assist the officers of the Corporation in all matters concerning its interest and the management of its business, and
- Between meetings of the Board, to exercise all the powers of the Board as may be delegated to it by the Board.

Notwithstanding the foregoing, the Executive Committee shall not have the authority or discretion to decide on the following matters:

- Any action for which shareholders' approval is required;
- Distribution of cash dividends;
- Filling of vacancies on the Board or in the Executive Committee;
- Amendment or repeal of the By-laws or the adoption of new By-laws;
- Amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and

- The exercise of powers delegated by the Board exclusively to other committees.

**(v) Corporate Governance Committee**

The Board shall organize a Corporate Governance Committee which shall have at least three (3) members of the Board (majority or all of whom should be independent directors).

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Proposes and plans relevant trainings for the members of the Board;
- Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and

- Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

The Corporate Governance Committee reports directly to the Board and is required to meet at least twice a year.

**(vi) Board Risk Oversight Committee**

The Board shall organize a Board Risk Oversight Committee which shall have at least three (3) members (majority of whom shall be independent directors, the chairman shall not be the Chairman of the Board or chairman of any other committee and at least one member must have relevant thorough knowledge and experience on risk and risk management).

The Board Risk Oversight Committee has the following duties and responsibilities, among others:

- Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (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;
- Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROOC conducts regular discussions on the company'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;
- Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROOC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- Advises the Board on its risk appetite levels and risk tolerance limits;

- Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- 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;
- Provides oversight over 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; and
- Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

The Board Risk Oversight Committee shall meet at least once a year.

**(vii) Related Party Transaction Committee**

The Board shall organize a Related Party Transaction Committee which shall have at least three (3) members (all of whom are non-executive directors, two of whom should be independent, including the chairman).

The following are the functions of the RPT Committee, among others:

- Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- Evaluates all material 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 company are misappropriated or misapplied, and to determine any potential

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reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

- The related party's relationship to the company 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 on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should 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 company's affiliation or transactions with other related parties;
  - Reports 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;
  - Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
  - Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

The Related Party Transactions Committee shall meet at least once a year.

**n. Training of directors and orientation program for first-time directors**

(1) All directors should be properly oriented upon joining the board. This ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the company's business, Articles

of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the company and the individual directors and aid any new director in effectively performing his or her functions.

(2) All directors should attend annual continuing training program, to make certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. It involves courses on corporate governance matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy.

#### **2.4. The Chairman, the Chief Executive Officer and the Lead Independent Director**

The Board should be headed by a competent and qualified Chairman. The roles of the Chairman and the Chief Executive Officer, as far as practicable should be separate. In case they are unified, the proper checks and balances are laid down to ensure that the Board of Directors obtains the benefit of independent views and perspectives.

##### **(a) The Chairman**

The roles and responsibilities of the Chairman include, among others, the following:

- Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
- Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

- Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
- Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and,
- Maintain qualitative and timely lines of the communication and information between the Board and Management.

**(b) The Chief Executive Officer**

The Chief Executive Officer has the following roles and responsibilities, among others:

- Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- Directs, evaluates and guides the work of the key officers of the corporation;
- Manages the corporation's resources prudently and ensures a proper balance of the same;
- Provides the Board with timely information and interfaces between the Board and the employees;
- Builds the corporate culture and motivates the employees of the corporation; and
- Serves as the link between internal operations and external stakeholders.

**(c) The Lead Independent Director**

To ensure that the Independent Directors shall be free to express and advocate independent views and perspectives, and that abuse of power and authority and potential conflict of interest are avoided, the Board of Directors shall additionally designate a Lead Independent Director from the Independent Directors, which Lead Independent Director shall have sufficient authority to lead the Board in cases where Management has clear conflicts of interest.

The Lead Independent Director shall have, among others, the following functions:

- Serve as an intermediary between the Chair and the other directors when necessary;
- Convene and chair meetings of the non-executive directors;
- Contribute to the performance evaluation of the Chair, as required; and,
- The Lead Independent Director shall perform such other responsibilities as the Board of Directors may assign to him.

**2.6 The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. The Corporate Secretary should be a separate individual from the Compliance Officer and should not be a member of the Board of Directors. He should annually attend a training on corporate governance.

The Corporate Secretary should:

- a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its Committees, as well as the other official records of the Corporation;
- b. Be loyal to the mission, vision and objectives of the Corporation;
- c. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- d. Have appropriate administrative and interpersonal skills;

- e. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advise the Board and the Chairman on all relevant issues as they arise;
- f. Have a working knowledge of the operations of the Corporation;
- g. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accident, prevent him from doing so;
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members
- j. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- k. Performs such other duties and responsibilities as may be provided by the SEC.

## **2.7 Chief Audit Executive (CAE)**

The Chief Audit Executive shall be appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization. The CAE, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the CEO. The following are the responsibilities of the CAE, among others:

- a. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;

- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

## **2.8. Chief Risk Officer (CRO)**

In managing the company's Risk Management System, the company should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

The CRO has the following functions, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:
  - Risk management processes are performing as intended;
  - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - Established risk policies and procedures are being complied with.

There should be clear communication between the Board Risk Oversight Committee and the CRO.

## **2.9 Adequate and Timely Information Support**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings. The information may include the background or explanation on matters brought before the Board, disclosure, budgets, forecasts and internal financial documents.

The members should be given independent access to Management and the Corporate Secretary.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense.

## **2.10 Accountability and Audit**

- a. The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Corporation's performance, position and prospects and developments that could adversely affect its business, through reports required by law to be submitted to the Corporation's regulators.

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

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

- 1) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- 2) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders should be maintained;
- 3) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- 4) The Corporation should consistently comply with the financial reporting requirements of the Commission;
- 5) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. The Internal Auditor shall submit to the Audit

Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual reports should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

- b. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with its duties as an independent auditor, or does not pose a threat to its independence.

If the external auditor resigns, is dismissed or ceases to perform its services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between the external auditor and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

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

### **3 PROTECTION OF STOCKHOLDERS' RIGHTS**

#### **3.1 Rights of Stockholders**

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

- a. Right to vote on all matters that require their consent or approval;
- b. Right to inspect corporate books and records;

- c. Right to information;
- d. Right to dividends; and
- e. Appraisal right.

### **3.2 Notice of Meetings**

The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.

Required information in the Notice include, among others, the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated on and approved or ratified at the meeting. Sending the Notice in a timely manner allows shareholders to plan their participation in the meetings. It is good practice to have the Notice sent to all shareholders at least 28 days before the meeting and posted on the company website.

The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.

### **3.3. Minutes of Meetings**

The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.

In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the company website within five business days from the end of the meeting.

The Minutes of Meeting include the following matters: (1) A description of the voting and the vote tabulation procedures used; (2) the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the directors, officers and shareholders who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

### **3.4 Investors Relations Office (IRO)**

The Board should establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting.

### **3.5 Equal and Fair Treatment**

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

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation, which includes, among others, the right to review nominated candidates and assessment of the effectiveness of the Board's process and procedures in the nomination and election of directors.

The Board should make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

## **4 DISCLOSURE AND TRANSPARENCY**

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

It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interests of the stockholders 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, and direct and indirect remuneration of members of the Board and Management.

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

## **5 DUTIES TO STAKEHOLDERS**

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

- (a) The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, investors, creditors, the community the Corporation operates in, society, the government, regulators, competitors, external auditors, among others.
- (b) The Corporation's Code of Business Conduct and Ethics shall establish clear policies and programs to provide a mechanism for the fair treatment of stakeholders and better protection of their rights.
- (c) The Corporation shall maintain open and easy communication with its stakeholders, through stakeholder engagement touchpoints in the Corporation, such as the IRO, Office of the Corporate Secretary, customer care, and corporate communications group.
- (d) The Corporation shall develop and maintain mechanisms for active employee participation to create a symbiotic environment, and encourage involvement in corporate governance processes and in the realization of the Corporation's goals.
- (e) The Corporation shall establish policies and programs for employees covering, among others, the following: (a) health, safety and welfare; (b) training and development; and (c) reward/compensation for employees, to encourage employees to perform better and motivate them to take a more dynamic role in the Corporation.
- (f) The Corporation does not tolerate corrupt practices, as expressed in its Code of Business Conduct and Ethics and various anti-corruption policies and programs, which are disseminated to employees across the organization to embed them in the Corporation's culture.
- (g) The Corporation shall establish and maintain a whistleblowing policy that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to a unit tasked to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

- (h) The Corporation shall be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.
- (i) The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates.

## **6 TRAINING AND ASSESSMENT**

The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

- (a) The Board shall conduct an annual self-assessment of its performance, including the performance of the Chair, individual members and committees. Every three (3) years, the assessment may be supported by an external facilitator.
- (b) The Board's self-assessment system shall provide, at the minimum, criteria and process to determine the performance of the Board, the individual Directors and the Committees and should allow for a feedback mechanism from the shareholders.
- (c) The Board shall establish an internal self-rating system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible Officer or employee to the penalty provided under this Manual.
- (d) The establishment of such self-rating system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such self-rating system must be covered by a Board approval.
- (e) The Board of Directors and key Officers of the Corporation, including the Corporate Secretary and Compliance Officer, shall attend a continuing training on corporate governance as may be required by the SEC, which shall include courses on the developments in the business and regulatory environments, including emerging risks relevant

to the Corporation. First-time Directors shall attend an orientation program, to ensure that they are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the Corporation's business, articles of incorporation, and Code of Business Conduct and Ethics.

- (f) This Manual shall be subject to annual review and may be amended accordingly by the Board.
- (g) All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to be compliant with this Manual.

## **7 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

- (a) 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, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:
  - In case of first violation, the subject person shall be reprimanded.
  - Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to Directors.
  - For third violation, the maximum penalty of removal from office shall be imposed. With regard to Directors, the provision of Section 28 of the Corporation Code shall be observed.
- (b) The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Adopted by the Unanimous Vote of the Board of Directors on May 8, 2017.

Pursuant to the requirement of the Securities and Exchange Commission, this Manual on Corporate Governance is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasay on May 8, 2017.

SIGNATURES



**CHUA MING HUAT**  
Chairman of the Board



**MA. GEORGINA A. ALVAREZ**  
Corporate Compliance Officer

