



Manual of Corporate Governance of ISOC Cold Chain Logistics, Inc.

Manual of Corporate Governance

The Board of Directors (“Board”), Officers, Executives and Employees of ISOC Cold Chain Logistics, Inc. (“Corporation”) hereby commits themselves to the fundamental principles of sound corporate governance provided in this Manual of Corporate Governance (“Manual”), and acknowledge that the same are necessary components to attain its corporate goals and will enhance the value of the Corporation to its Stakeholders.

Declaration of Corporate Principles

The Corporation adheres to the principles of fairness, accountability, integrity, transparency, and honesty to develop and uphold an ethical culture that will protect and promote the best interest of the Corporation for the common benefit of the stockholders and other Stakeholders. The Corporation likewise adheres to the laws that gives the Corporation its corporate existence and business continuity. As the Corporation progresses, this Manual shall be kept under constant review and revision to meet the emerging standards of good corporate governance practices.

Rules of Interpretation

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

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

Definition of Terms

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

Corporate governance is a system of directions, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior to the benefit of all stakeholders and the society.

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

Board of Directors (Board) – the governing body elected by the stockholders that exercises the corporate powers of the Corporation, conducts all its business and controls its properties.

Exchange – an organized market place or facility that brings together buyers and sellers, and executes trades of security.

Management – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation

Independent Director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Executive Director - a director who has executive responsibility of a day to day operations of a part or the whole of the organization.

Non-executive director – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation.

Non-audit work – the other services offered by an external auditor to the Corporation that are not directly related and relevant to its statutory audit functions, such as accounting, payroll, bookkeeping, reconciliation, computer project management, data processing or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.

Internal control – a process designed and effected by the Board of Directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations and the organization’s policies and procedures.

Internal control system – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed.

Internal audit – an independent and objective assurance activity designed to add value to and improve the Corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.

Internal audit department – a department or unit of the Corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the Corporation’s operations.

Internal Auditor – the position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, s/he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

Enterprise Risk Management (ERM) – a process, effected by an entity’s Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

Related Party – shall cover the Corporation’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Corporation exerts direct or indirect control over or that exerts direct or indirect control over the Corporation, the Corporation’s directors, officers, shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Corporation.

Related Party Transactions – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transaction that are entered into with an unrelated party that subsequently becomes a related party.

Stakeholders – any individual, organization or society at large who can either affect and/or be affected by the Corporation’s strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

I. Corporate Governance Rules & Principles

Board Governance

Compliance with the principles of good governance shall start with the Board. It is the Board’s responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objective and the best interests of its stockholders and other stakeholders. To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall conduct itself with

utmost honesty and integrity in the discharge of its duties, functions and responsibilities. Its Board charter shall be publicly available and posted on the company website.

Section 1.0 Composition of the Board

- 1.1 The Board consists of seven (7) directors (or a number in accordance with the Articles of Incorporation and By-laws of the Corporation) who shall be elected by the stockholders at a regular or special meeting in accordance with the Amended By-Laws of the Corporation.
- 1.2 The Board shall be composed of a majority of non-executive directors to ensure proper checks and balances including prevention of conflicts of interest, the exercise of independent judgment on corporate affairs, proper oversight of managerial performance and balancing of competing demands of the Corporation.
- 1.3 New directors shall undergo a comprehensive orientation program and an annual continuing training for existing directors, including an understanding of the contributions that the directors that the director is expected to make, an explanation of the Board and its committees, and an explanation of the Corporation's business, including corporate governance and other matters that will assist them in discharging their duties.
- 1.4 The Board shall have a policy on board diversity. A diverse Board better understands its customers based and the environment that the business operates in. This promotes different perspectives and ideas and mitigates groupthink to achieve optimal decision-making. Board diversity may refer to distinctions in age, ethnicity, culture, skills, competence, knowledge, gender, among other things.

Section 2.0 Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorship that its members can hold in other corporations to ensure diligent and efficient performance of their responsibilities to the Corporation.

Section 3.0 Duties and Responsibilities of the Board of Directors

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objective and the best interest of its stockholders and other stakeholders.

- a. The Board of Directors is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.
- b. The Board should establish the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the mechanisms for effective monitoring of the Management's performance.
- c. A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity, and fairness.
- d. Adopt a process of selection that encourages diversity and ensures a mix of competent directors and officers, without regard to gender, race, or religion;
- e. Oversee the implementation of compensation plans and professional development programs for officers and succession planning for senior management;
- f. Oversee Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies and periodically evaluate Management's overall performance;
- g. Ensure that the Corporation complies with all relevant laws, regulations and endeavor to adopt best business practices;
- h. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and oversee Management's formulation and implementation of the Corporation's policy on communicating or relating with them through an effective investor relations program and other appropriate communication programs;
- i. Adopt a system of check and balance within the Board, which should be regularly reviewed for effectiveness;
- j. Provide oversight with regard to enterprise risk management;
- k. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- l. Ensure that the Corporation establishes appropriate policies and procedures in accordance with this Manual and applicable laws and regulations, including, but not limited to, conflict of interest and related party transactions;

- m. Constitute Board Committees, that it deems necessary to assist the Board in the performance of its duties and responsibilities;
 - n. Consider the creation and maintenance of an alternative dispute resolution system in the Corporation that can amicably settle differences or conflicts between the Corporation and its stockholders, if applicable; and
 - o. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.
- 3.4** All directors shall undergo relevant and continuing training for a duration equal to or longer than what is required by law and regulations. First time directors shall undergo an orientation program covering SEC-mandated topics on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the Corporation and the individual directors and aid any new director in effectively performing his or her functions.

The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation.

3.5 Chairman of the Board

The Board shall be headed by a competent and qualified Chairman. The positions of Chairman of the Board and Chief Executive Officer should as much as practicable be held by separately individuals and each should have clearly defined responsibilities.

In addition to the duties provided in the By-Laws of the Corporation, the responsibilities of the Chairman in relation to the Board shall include the following:

- a. Make 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;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise on individual directors;

- d. Ensures that the Board sufficiently challenges and inquiries on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- f. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

3.6 Independent Directors

The Board shall have at least three (3) directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

An Independent Director of the Corporation must possess all the qualifications and none of the disqualifications of a regular director. He must be independent of Management, substantial shareholders and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment.

An Independent Director refers to a person who ideally:

- a. Is not or has not been senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
- b. Is not, and has not been in the three (3) years immediately preceding the election, a director of a covered company; a director, officer, employee o the covered company's subsidiaries, associates, affiliates, or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
- c. Has not been appointed in the covered entity, 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;
- d. Is not an owner of more than two percent (2%) of outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;

- e. Is not a relative of a director, officer, or substantial shareholder of the covered company, its subsidiaries, associates, affiliates or 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;
- f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- g. 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, associated person or salesman, an authorized clerk of the broker or dealer;
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the covered company's executive serves as directors.

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

If an independent director becomes an officer, consultant, advisor, or employee of the same company, he shall be automatically disqualified from being an independent director.

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and the President are held by one person.

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 instant that the Corporation wants to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek shareholder's approval during the annual shareholders' meeting.

3.6 Board Assessment

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment may be supported by an external facilitator. The Governance, Nominations and Remunerations Committee ("Committee") shall oversee the assessment/evaluation process.

The Board assessment system shall provide a criteria and process to determine the performance of the Board, individual directors and committees. The system shall allow for a feedback mechanism from shareholders.

- 3.7** The Board shall adopt a formal and transparent board nominations and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election or replacement of a director. Its process of identifying the quality of directors should all be aligned with the strategic director of the Corporation.

The Board shall enact a Governance, Nominations and Remunerations Committee to implement the foregoing provision.

- 3.8** The Board shall adopt a *Code of Business Conduct and Ethics*, to provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in external dealings. The Code of Business Conduct and Ethics shall be properly disseminated to the Board, Senior Management and employees. It shall be disclosed and made available to the public through the Corporation website. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

Effective communication channels must be provided to aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior without fear of retribution. The Corporation's ethics policy shall be made effective and inculcated in the Corporation culture through communication and awareness campaigns, continuous training to reinforce the Code of Business Conduct and Ethics, strict monitoring and implementation.

Section 4.0 Strengthening the Internal Control System and Enterprise Risk Management Framework

The Corporation shall have an adequate and effective internal control system and enterprise risk management framework.

Internal Control Responsibility of the Corporation

- a. The control environment of the Corporation consists of:
 - i. The Board which ensures that the Corporation is properly managed and effectively supervised;
 - ii. The Management that actively manages and operates the Corporation in a sound and prudent manner;
 - iii. The organizational and procedural controls supported by effective management information and risk management reporting systems; and
 - iv. An independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's financial reporting, 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, confidential information, and compliance with laws, rules, regulations, and contracts.
- b. The Board's internal control mechanism for the Board's oversight responsibility may include:
 - i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;

- ii. Selection of a CEO who possesses the ability, integrity and expertise essential for the position;
- iii. Establishment by the Corporation of an internal audit system that can reasonably assure the Board, Management, and stockholders that the Corporation's key organizational and operational controls are appropriate, adequate, effective and complied with:
- iv. Selection and appointment of proposed senior management officers; and
- v. Review of the Corporation's personnel and human resource policies and sufficiency, conflict of interest situations, changes in the compensation plan for employees and succession plan for officers and management.

4.1 The Corporation shall have in place an independent internal audit function that provides independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations. The following are the functions of the internal audit group among others:

- i. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of governance and control process in (1) promoting the right value and ethics; (2) ensuring effective performance management and accounting in the organization; (3) communicating risk and control information; and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- ii. Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- iii. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- iv. Performs compliance and audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- v. Review, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation;

- vi. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- vii. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- viii. Monitors and evaluates governance processes.

4.2 The Board shall appoint a Chief Audit Executive (CAE) to oversee and be responsible for internal audit activities of the organization.

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 advise to Senior Management and the Board on how to improve internal processes.

4.3 The Company shall have a separate risk management function to identify, assess and monitor key risk exposures.

The risk management function involves the following activities, among others:

- a. Defining a risk management strategy;

- b. Identifying and analyzing key risk exposures relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (e.g. strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

4.4 The Corporation shall appoint a Chief Risk Officer (CRO) to manage its Risk Management System.

The CRO shall have 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 top risks and the status of the implementation of risk management strategies and action plans to the Risk Management Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Risk Management Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following;
 - a. Risk management processes are performing as intended;
 - b. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - c. Established risk policies and procedures are being complied with.

Section 5.0 Qualification of Directors

Every director shall own at least one (1) share of the capital stock of the Corporation of which he is a director, which share shall stand in his name in the books of the Corporation. He must have all the qualifications and none of the disqualifications of a director. Apart from the qualifications required under the Corporation Code and the By-Laws, the following are the qualifications:

- a. Possesses the skills needed to effectively carry out his functions as director;
- b. Possesses integrity/probity;
- c. Has strong adherence to legal and moral principles; and
- d. Has a practical understanding of business in general and of the business of the Corporation, in particular.

Section 6.0 Disqualification of a Director

6.1 Permanent Disqualification

- a. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final and executory judgment, decree or order issued by a judicial or an administrative body having competent jurisdiction or the SEC;
 - i. An offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
 - ii. Any crime that (1) involves the purchase or sale of securities, as defined in the Securities Regulation Code (SRC); (2) 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 (3) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; or
 - iii. Having willfully violated, or willfully aided, abetted, counselled, induced or procured the violation of any provision of the SRC, the Corporation Code, or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or any rule, regulation or order of the SEC or BSP;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from:

- i. Acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
- ii. Acting as director, or officer of a bank, quasi-bank, trust company, investment house, or investment company;
- iii. Engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (1) and (2) above.

The disqualification shall also apply if such person: (1) is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; or (2) has otherwise been restrained to engage in any activity involving securities and banking, or (3) 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 said organization.

- c. 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 paragraphs (a) and (b) above;
- d. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- e. Any person judicially declared as insolvent.

6.2 Temporary Disqualification

The Nomination and Governance Committee may consider and recommend to the Board temporary disqualification of a director based on any of the following grounds:

- a. Refusal to fully disclose the extent of his business interest as required by existing laws or the Corporation's rules and regulations. The disqualification shall be in effect as long as the refusal persists.
- b. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve-month period during the said

- incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- c. Dismissal or termination for a cause as director of any corporation covered by the SEC Governance Code. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.
 - d. If any of the judgment or orders cited in the grounds for permanent disqualification has not yet become final.

Any temporary disqualification of a director recommended by the Nomination, Governance and Remuneration Committee to be valid and effective must be approved by the Board, as well as, comply with the requirements of applicable laws, rules and regulations.

A temporary disqualified director shall, within such period prescribed by the Board, but in no case less than 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.

The Nomination, Governance and Remuneration Committee may consider and recommend to the Board other grounds for disqualifications which are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

6.3 Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Corporation and ensure that his personal interest does not conflict with the interest of the Corporation;
- b. To devote time and attention necessary to properly discharge and effectively perform his duties and responsibilities;
- c. To act judiciously;
- d. To exercise independent judgment;
- e. The non-executive directors of the Board should not concurrently serve as directors to an optimum number of companies to ensure that they have sufficient time to fully

prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation.

In this regard, a Director should notify the Board before accepting a directorship in another corporation.

- f. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;
- g. To observe confidentiality of information; and
- h. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

Section 7.0 Compensation of Directors

Directors as such, shall not receive any compensation unless approved by the stockholders or provided in the By-Laws of the Corporation. No director should participate in the approval of his compensation. However, the Board may, from time to time, approve a reasonable *per diem* that a director may receive for attendance in the Board and Board Committee meetings.

Section 8.0 Board Committees

The Board of Directors shall form Board Committees to aid in ensuring compliance with principles of good corporate governance. The members of such Committees shall be appointed by the Board annually.

All established committees shall have Committee Charters stating in plain terms their respective purposes, membership, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees. It should be fully disclosed on the Company's website.

8.1. Audit Committee

- a. The Audit Committee shall be composed of at least three (3) non-executive directors, who shall preferably have audit, accounting and finance backgrounds, majority of whom, including the Chairman, shall be an Independent Director, and only such Members-Directors shall have voting rights. The Members, including the Chairman

thereof, shall be appointed by the Board of Directors annually. The Chairman of the Audit Committee should not be the Chairman of the Board or any other Committee.

- b. The Audit Committee shall consider succession-related issues relative to the chair and members of the Committee. Such plan may consider the length of term each committee member and chair may serve, the complex nature of the role, continuity of the Committee's work and the orderly transfer of accumulated knowledge.
- c. The Board of Directors may appoint one or more persons to serve as advisor(s) to the Committee ("Advisors"). Advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have voting rights.
- d. The Audit Committee shall have the following duties and responsibilities:

FINANCIAL REPORTING

- i. Review the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;
- ii. Review significant accounting and reporting issues, including complex or unusual transactions and high judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements, if any.
- iii. Review with the management and the external auditors the result of the annual audit of the financial statements, including any difficulties encountered;
- iv. Obtain and consider any reports or communications submitted to the Committee by the external auditors;
- v. Review the representation letter of management before submission to the external auditors;
- vi. Review and approve the audited financial statements before submission to the Board.

INTERNAL CONTROL

- vii. Consider the effectiveness of the internal control system of the Corporation, with management's assurance that the Corporation's organizational and operational are adequate and effectively functioning, including information technology security and control;

AUDIT PROCESS

Internal Audit

- viii. 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;
- ix. 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;
- x. 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;
- xi. 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;
- xii. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- xiii. Performs oversight functions over the corporation's Internal Auditors. It ensures the independence of Internal Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

External Audit

- xiv. 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;

- xv. 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 independence³. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- xvi. 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
- xvii. Reviews the disposition of the recommendations in the External Auditor's management letter;
- xviii. Performs oversight functions over the corporation's External Auditors. It ensures the independence of 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;
- xix. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- xx. 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

COMPLIANCE

- xxi. Monitor compliance and adherence by the Corporation with all applicable laws and regulations pursuant to which the Corporation conducts its operations and business activities;

- xxii. Obtain regular updates from Management and the Corporation's legal counsel and internal auditors regarding compliance matters including reports or findings of any examination by regulatory agencies and any auditor observations;

OTHER RESPONSIBILITIES

- xxiii. Report its activities to the Board on a regular basis and make recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate;
- xxiv. Conduct or authorize an investigation into any matter that falls within its scope of responsibilities; and
- xxv. Review and assess the adequacy of its Charter annually, requesting Board approval for changes.

8.2 Board Risk Oversight Committee

- a. The Board Risk Oversight Committee shall be composed of at least three (3) non-executive directors, majority of whom, Including the Chairman, shall be an Independent Director, and only such Members-Directors shall have voting rights. The Members, including the Chairman thereof, shall be appointed by the Board of Directors annually. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.
- b. The Board Risk Oversight Committee shall have the following duties and responsibilities:

The Board Risk Oversight Committee which shall have the following duties and responsibilities:

- i. Develops a formal company risk management plan which obtains the following elements: (a) 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;
- ii. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROCC conducts regular discussions

on the company's prioritized and residual risk exposures based on regular risk management reports and assess;

- iii. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee shall revisit risk management strategies, look for emerging or changing material exposures and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- iv. Advises the Board on its risk appetite levels and risk tolerance limits;
- v. 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 Corporation;
- vi. 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;
- vii. Provides oversight over Management's activities in managing credit, market, liquidity. Reports 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 recommends further action or plans, as necessary;
- viii. Report its activities to the Board on a regular basis and make recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate;
- ix. Conduct or authorize an investigation into any matter that falls within its scope of responsibilities; and
- x. Review and assess the adequacy of its Charter annually, requesting Board approval for changes.

8.3 Nomination, Governance and Remuneration Committee

- a. A Nomination, Governance and Remuneration Committee, which may be composed of at least three (3) members and all of whom should be an Independent Auditor, to establish



a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation in which it operates and to review and evaluate the qualifications of all persons nominated to the Board and other appointments that required Board approval, to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors and to assist the Board in the performance of its corporate governance responsibilities; and

b. The Nomination, Governance and Remuneration Committee shall have the following duties and responsibilities:

1. 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;
2. Oversee the formulation of the compensation and retirement philosophy as well as study and evaluate the appropriate compensation, retention and retirement policies and programs for the officers of the Corporation as appointed in accordance with the Corporation's By-Laws, as well as managers or executives with the rank of assistance vice president and up;
3. Review management succession plan;
4. 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 environment;
5. 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;
6. 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;
7. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession planning, for the board members and senior officers and remuneration packages for corporate and individual performance;

8. Proposes and plans relevant trainings for the members of the Board;
9. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
10. Determines the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of the board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
11. Such other duties as may be provided in the Nomination, Governance and Remuneration Charter.

8.4 Related Party Transaction (RPT) Committee

- i. The RPT Committee shall have the primary function of reviewing all material related party transactions. It shall be composed of at least three (3) non-executive directors, the majority of whom, including the Chairman, shall be independent directors. In accordance with this, the members of the Committee may be removed or replaced, and any vacancies in the Committee shall be filled by the Board. Each member shall have adequate and competent knowledge of the Corporation's business and industry in which it operates.
- ii. The RPT Committee shall have the following duties and responsibilities:
 1. Evaluates on an ongoing basis existing relations between and among business 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 shall be reflected in the relevant reports to the Board and regulators/supervisors;
 2. 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 Corporation are misappropriated or misapplied, and to determine any potential 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:

- i. The related party's relationship to the Corporation and interest in the transaction;
 - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transactions;
 - iii. The benefits to the Corporation of the proposed RPT;
 - iv. The availability of other sources of comparable products or services; and
 - v. 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 Corporation shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
3. Ensures 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 conflicts of interest or potential 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 transaction with other related parties;
 4. 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;
 5. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
 6. Oversees the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs including a periodic review of RPT policies and procedures; and
 7. Performs other duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board.

RPTs are generally allowed, provided, that these are done in a sound and prudent manner. The Corporation is expected to exercise appropriate oversight and to implement effective system in managing these transactions.

All related party transactions which are considered usual course of business as stated in the RPT policy, regardless of amount, which are substantially the same terms as those prevailing at the time for comparable products or services with unrelated parties are exempted from review of the RPT Committee. However, all RPTs which are not in the usual course of business which are equal or greater than the materiality threshold of Php100Million, shall be subject for review by the RPT Committee. The RPT Committee may, at any time ask for a review of any of the transactions. The board reviews and approves all material RPTs endorsed by the RPT Committee. All Board-approved material RPTs may be subject to ratification by a vote of the majority of the minority shareholders.

Section 9.0 The Management

The Management is represented by a Management Committee (ManCom) composed of corporate officers and executives formed and headed by the CEO, All principal policies and directions governing the organization, management and operation of the Corporation as well as its subsidiaries shall be formulated and implemented by this committee, subject to Board approval when required under existing law. ManCom shall regularly report to the Board as its regular Board meeting, or during Special Meeting whenever necessary or requested by the Board, through the CEO, on all matters concerning the Corporation's operation as well as significant events or occurrence affecting the Corporation.

Section 10.0 President and/or CEO

Minimum internal control mechanisms for Management's operations responsibility shall center on the President, being ultimately accountable for the Corporation's organizational and procedural controls. In addition to the duties imposed on the President by the Board, and those duties and responsibilities provided by the Corporation's By-Laws, the President shall:

- a. Determine the Corporation's strategic direction and formulate and implement its strategic plan on the direction of the business;
- b. Communicate and implement the Corporation's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- c. Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;

- d. Have a good working knowledge of the Corporation's industry and market and keep-up-to-date with its core business purpose;
- e. Direct, evaluate and guide the work of the key officers of the Corporation;
- f. Manage the Corporation's resources prudently and ensure a proper balance of the same;
- g. Provide the Board with timely information and interface between the Board and the employees;
- h. Build the corporate culture and motivate the employees of the Corporation;
- i. Serve as the link between internal operations and external stakeholders;
- j. See that all orders and resolutions of the Board are carried into effect;
- k. 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;
- l. Report to the Board from time to time all matters within his knowledge which in the interest of the Corporation may require to be brought to the Board's notice; and
- m. Perform such other responsibilities as the Board may impose.

Section 11.0 The Corporate Secretary and the Assistant Corporate Secretary

The Corporate Secretary and the Assistant Corporate Secretary are officers of the Corporation and are expected to observe the highest degree of professionalism, integrity, and diligence. The Corporate Secretary must be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on Corporate Governance.

11.1 Qualifications of the Corporate Secretary and Assistance Corporate Secretary

- a. The Corporate Secretary and the Assistant Corporate Secretary shall be a resident Filipino citizen of good moral character;
- b. They shall have adequate legal, administrative and interpersonal skills.

11.2 Duties and responsibilities of the Corporate Secretary and Assistance Corporate Secretary

The Corporate Secretary and Assistance Corporate Secretary are primarily responsible to the Corporation and its shareholders, and not to the Chairman or President of the Corporation and has among others, the following duties and responsibilities:

- a. Assists the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule of the Board and Committee meetings and the annual Board calendar, and assisting the chairs of the Board and its Committees to set agendas for those meetings;
- b. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its Committees, as well as other official records of the Corporation;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation and advises the Board and the Chairman on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and Stockholders, and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders;
- e. Advised on the establishment of Board Committees and their terms of reference;
- f. Informs members of the Board, in accordance with the By-Laws, of the agenda of their meetings, at least five (5) working days in advance, and ensures that the members have, before them, accurate information that will enable them to arrive at intelligent decision on matters that require their approval.
- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h. Performs required administrative functions;
- i. Oversees the drafting of the By-Laws and ensures that they conform with the regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC.

Section 12.0 Compliance Officer

12.1 The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Office should not be a member of the Board and should annually attend a training on corporate governance.

The Compliance Officer is a member of the Corporation's management team in charge of the compliance function. Similar to the Corporate Secretary, s/he is primarily liable to the Corporation and its Shareholders, and not to the Chairman or President of the Corporation. S/he has, among others, the following duties and responsibilities:

- a. Ensure proper on boarding of new directors (i.e. orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance of the Corporation, its officers and directors with the relevant laws, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports violations of the aforementioned rules to the Board and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Appears before the SEC when summoned in relation to compliance with the SEC Governance Code;
- 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.

Section 13.0 External Auditor

- 13.1** The Board, after consultation with the Audit Committee, shall recommend to the stockholders an External Auditor duly accredited by the SEC 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.
- 13.2** The external auditor of the Corporation should not at the same time provide services of an internal auditor.
- 13.3** The Corporation's external auditor should be rotated or the handling partner should be changed every five (5) years or earlier.
- 13.4** The reason(s) for the resignation, dismissal or cessation from service of an external auditor and the date thereof shall be reported in the Corporation's annual and current reports. Said report should 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.
- 13.5** If an external auditor believes that the statement made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

II. SUPPLY OF INFORMATION

All directors should be provided with complete, adequate and timely information about the matters to be taken up in their meetings and which would enable them to discharge their duties.

- A. Management is responsible for providing the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board will make further inquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
- B. The directors, either individually or as a group, in the performance of their duties may seek independent professional advice within the guidelines set by the Board.
- C. Full agenda and comprehensive Board papers are to be circulated to all directors well in advance of each Board meeting.

- D. Full Board minutes of each Board meeting are kept by the Corporate Secretary and are available for inspection by any director during office hours.

III. DISCLOSURE AND TRANSPARENCY

Company Disclosure Policies and Procedures

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to the shareholders and other stakeholders that gives a fair and complete picture of a Corporation's financial condition, results and business operations in accordance with the disclosure and reporting requirements of the SEC and other regulators.

The Corporation shall have a policy requiring all directors and officers to disclose/report to the Corporation through the Compliance Officer any dealings in the Corporation's shares within three (3) business days.

The Corporation shall fully disclose all relevant and material information on individual Board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. This includes directors and key officer's qualifications, share ownership in the Corporation, membership in other boards, other executive positions, and corporate governance trainings attended.

The Corporation shall provide a clear disclosure of its policies and procedures for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. Remuneration shall as much as practicable be on an individual basis, including termination and retirement provisions.

The Corporation shall disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions. The material or significant RPTs reviewed and approved during the year shall be disclosed in its Annual Corporate Governance Report.

The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability. The Corporation shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

IV. ACCOUNTABILITY AND AUDIT

- B. The Board shall ensure that stockholders are provided with a balanced and comprehensive assessment of the Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- C. Management should formulate the rules, procedures on internal controls, and financial operations for presentation to the Audit and Risk Committee 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 should be maintained for the benefit of all stockholders and other stakeholders;
 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 financial reporting, governance, operations and information system, 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; and
 4. The Corporation should consistently comply with the financial reporting requirements of the SEC.

V. INVESTORS' RIGHT AND PROTECTION

Shareholders' Rights and Protection

The Board commits to treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. These rights relate to the following among others:

Section 1.0 Voting Right¹

- 1.1 Stockholders shall have the right to elect, remove, and replace directors vote on certain corporate acts in accordance with the Corporation Code.



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

Section 2.0 Pre-emptive Right

Unless otherwise stated in the Articles of Incorporation or the Corporation Code of the Philippines, all stockholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares in proportion to their respective shareholdings.

Section 3.0 Right of Inspection

Any stockholder who desires to exercise his right to inspect corporate books and records of the Corporation must make a written request addressed to the Corporation Secretary, and stating the specific reason(s) or purpose(s) for the inspection. The exercise of such right may be denied if:

1. The requesting stockholder improperly obtained from prior examination; or,
2. Is not acting in good faith; or,
3. There is reasonable ground to safeguard the interests of the Corporation, such as when the subject of inspection contains confidential or proprietary information or covered by a confidentiality or nondisclosure obligation which will be violated by the Corporation if inspection were allowed. In no case shall the stockholder be allowed to take corporate books and other records out of the principal office of the Corporation for the purpose of inspecting them. The Corporate Secretary may elevate the request for inspection for the information, approval or other appropriate action by the Board. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

Section 4.0 Right to Information

Stockholders may be provided, upon request, with periodic reports filed by the Corporation with the SEC (i.e. proxy statement/information statement and annual report) which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the Corporation's shares, material transactions with the Corporation, relationship with the other Directors and Officers and the aggregate compensation of Directors and Officers.

Section 5.0 Right to Dividends

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

Section 6.0 Appraisal Right

The stockholders shall have appraisal right under of the following circumstances:

- a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any aspect superior to those of outstanding shares of any class, or of extending or reducing the term of corporation existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Corporation;
- c. In case of merger or consolidation; and
- d. Investment of funds in any other corporation or business or for any purpose other than the primary purpose for which the Corporation was organized.

Section 7.0 The Right to Transparent and Fair Conduct of Stockholders' Meeting

- 7.1** The Board shall afford stockholders the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting. The Board shall also adopt appropriate measures to ensure that stockholders' meeting are conducted in a fair and transparent manner.

- 7.2 The Board shall encourage active shareholders' participation by sending the Notice of Annual Special Shareholders' Meeting with sufficient and relevant information at least twenty eight (28) working days before the meeting. Shareholders unable to personally attend such meetings, should be advised ahead of their right to appoint a proxy on their behalf.
- 7.3 Subject to the requirements of law, rules and regulations, the By-Laws of the Corporation and the rules approved by the Board, the validity of a proxy should be resolved in favor of the stockholder. It shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. The directors shall envisage the exercise of stockholders' voting rights and the solution of problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person.
- 7.4 The Board shall encourage active 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 shall be available on the Corporation's website within five (5) business days from the end of the meeting.
- 7.5 The Board shall adopt and make available at the option of a shareholder, an established alternative dispute resolution (ADR) mechanism to resolve intra-corporate disputes in an amicable and effective manner.

VI. DUTIES TO STAKEHOLDERS

Section 1.0 Respect for Stakeholders and Effective Redress for Violations Thereof

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 shall have the opportunity to obtain prompt effective redress for the violation of their rights.

- 1.1 The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability.

- 1.2 The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.
- 1.3 The Board shall adopt a transparent framework and process that allows stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights. Stakeholder engagement touch points in the Corporation such as the Office of the Corporate Secretary shall be strengthened.

Section 2.0 Encouraging Employees' Participation

A mechanism for employee participation shall be developed to create a symbiotic environment, realize the Corporation's goals and participate in its corporate governance process.

- 2.1 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.
- 2.2 The Board shall adopt an anti-corruption policy (encompassing corrupt practices such as, but not limited to, bribery, fraud, extortion, collusion, conflict of interest and money laundering) and program in its Code of Conduct. This shall be disseminated to employees across the organization.
- 2.36 The Board shall establish a suitable framework for whistleblowing that allows employees to freely have communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall conscientiously supervise and ensure enforcement of the framework.

Section 3.0 Encouraging Sustainability and Social Responsibility

The Corporation shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serves its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. 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.

VII. COMMUNICATION AND MONITORING OF THIS MANUAL

Section 1.0 Communication and Training Process

- 1.1 This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 1.2 All Corporation directors and executives are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 1.3 An adequate number of printed copies of this Manual must be reproduced and distributed to each department of the Corporation.
- 1.4 If necessary, funds shall be allocated by the Corporation for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 1.5 A director shall, before his assumption of duty, be required to attend a seminar on Corporation Governance which shall be conducted by a recognized and reputable training provider.

Section 2.0 Governance Rating System

The Board shall develop a rating system to measure the performance of the Board and Management in accordance with the criteria provided in this Manual and other rules and regulations on good corporate governance.

Section 3.0 Penalties for Non-Compliance with Manual

- 3.1 The Compliance Officer shall be specifically tasked with the responsibility of ensuring compliance with this Manual.
- 3.2 The Compliance Officer shall, after proper investigation, notice and hearing, determine and recommend to the Board, the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent repetition of the violation.
- 3.3 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 provisions of this Manual:

- a. In case of first violation, the subject person shall be reprimanded;
- b. 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;
- c. For the third violation, the maximum penalty of removal from office shall be imposed. With regard to directors, the provision of the Revised Corporation Code shall be observed.

VIII. EFFECTIVITY

The Manual was approved on 03 June 2022 by the Board of Directors. It shall be published in the website of the Corporation and shall take effect immediately.

Signed:



MICHAEL C. COSIQUEN
Chairman of the Board

TIN 150-443-099



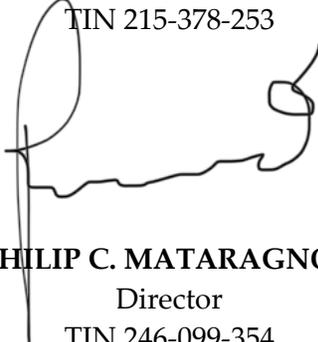
YERIK C. COSIQUEN
Director / President /
Chief Executive Officer

TIN 215-378-253



JESUS G. CHUA, JR.
Director / Corporate Secretary

TIN 191-569-388



PHILIP C. MATARAGNON
Director

TIN 246-099-354