

**KEPWEALTH PROPERTY PHILS., INC.**  
**MANUAL ON CORPORATE GOVERNANCE**  
(As Amended)

**I. OBJECTIVE**

This Manual on Corporate Governance shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors (the “Board”) and Management, employees and shareholders, believe that good governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness thereof within the organization.

**II. DEFINITION OF TERMS**

- a. *Affiliates.* In relation to any person, a person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the first person; and “Affiliate” means any one of them.
- b. *Board of Directors.* The governing body elected by the stockholders that exercises the corporate powers of the Corporation, conducts all its business and controls its properties.
- c. *Conglomerate.* A group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.
- d. *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 direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and Senior Management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

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

- e. *Enterprise Risk Management.* 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.
- f. *Exchange.* An organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.

- g. *Executive Director.* A director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- h. *Independent Director.* A person who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.
- i. *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.
- j. *Internal Audit Group.* A person or group that provides independent and objective assurance services in order to add value to and improve the Corporation's operations.
- k. *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.
- l. *Management.* A group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation.
- m. *Non-Executive Director.* A director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- n. *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.
- o. *Related Party.* Shall cover the Company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Company exerts direct or indirect control over or that exerts direct or indirect control over the Company; the Company'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 Company.
- p. *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 shall be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered



into with an unrelated party that subsequently becomes a related party.

- q. *Stakeholders.* Any individual, organization or society at large who can either affect and/or be affected by the Company'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.

### **III. THE BOARD'S GOVERNANCE RESPONSIBILITIES**

#### **1. ESTABLISHING A COMPETENT BOARD**

The Company 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.

##### **1.1 Composition of the Board**

- 1.1.1 The Board shall be composed of seven (7) directors who shall be elected by the Corporation's stockholders annually, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the Corporation's By- Laws. The Board shall be composed of directors with collective working knowledge, experience or expertise that is relevant to the Company's industry or 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.
- 1.1.2 The Board shall have at least two (2) independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.
- 1.1.3 The Board shall be composed of a majority of non-executive 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.

##### **1.2 Training**

- 1.2.1 The Company should provide in its Board Charter and Manual on Corporate Governance a policy on the training of directors, including an orientation program for first-time directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.
- 1.2.2 The Corporation shall also provide general access to training courses to its directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them

updated in their knowledge and understanding of the Corporation's business.

- 1.2.3 There shall be an orientation program for first-time directors for at least eight (8) hours, while the annual continuing training shall be for at least four (4) hours. 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. The annual continuing training program makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company.

### 1.3 Board Diversity

- 1.3.1 The Board shall set a policy on board diversity in order to avoid groupthink and to ensure that optimal decision-making is achieved.
- 1.3.2 Diversity refers to gender, age, ethnicity, culture, skills, competence and knowledge.
- 1.3.3 A diverse Board better understands its customer base and the environment that the business operates in. This promotes different perspectives and ideas and mitigates group-think to achieve optimal decision-making. Board diversity may refer to distinctions in age, ethnicity, culture, skills, competence, knowledge, gender, among other things.
- 1.3.4 The Corporation is committed to the following principles:
- a. To recognize and embrace the benefits of having a diverse Board and increase diversity at Board level as an essential element in the attainment of its strategic objectives and maintaining a prudent corporate governance.
  - b. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge, and candidates will be considered against objective criteria, which the Board as a whole requires to be effective.

### 1.4 Corporate Secretary

- 1.4.1 The Board shall be assisted by a Corporate Secretary who shall 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.
- 1.4.2 The Corporate Secretary shall have 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 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 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. Advises 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 working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions 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 from doing so;
- h. Performs required administrative functions;
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC.

### 1.5 Compliance Officer

1.5.1 The Board shall be assisted by a Compliance Officer who should have a rank of Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should annually attend a training on corporate governance.

1.5.2 The Compliance Officer shall have 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, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports the matter to the Board if violations are found 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 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.

## 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines shall be clearly made known to all directors as well as to shareholders and other stakeholders.

2.1 The Board Members shall 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. To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall have, among others, the following duties and responsibilities:

- a. The Board shall 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.
- b. The Board shall be headed by a competent and qualified Chairman, who shall have the following duties and responsibilities:

- i. Ensures that the meetings of the Board are held in accordance with the Corporation's By-Laws;
  - ii. 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;
  - iii. Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
  - iv. Facilitates discussion on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
  - v. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
  - vi. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
  - vii. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and
  - viii. Maintains qualitative and timely lines of communication and information between the Board and Management.
- k. The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This shall include adopting a policy on the retirement age of directors and key officers.
- l. The Board shall align the remuneration of key officers and Board members with the long-term interests of the Company. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director shall participate in discussions or deliberations involving his own remuneration.
- m. The Board shall disclose in this Manual a formal and transparent board nomination and election policy that shall include how it accepts nominations from minority shareholders and reviews nominated candidates. This policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the Company.



- n. The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.
- o. The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads that the Board may appoint (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).
- p. The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.
- q. The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter.
- r. The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
- s. The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Company website.
- t. Other duties and responsibilities as may be assigned by the SEC.

### 3. ESTABLISHING BOARD COMMITTEES

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The following may be established: the Executive Committee, the Corporate Governance Committee, the Audit Committee, the Board Risk Oversight Committee and the Related Party Transactions Committee.

All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting



processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees. Committee Charters shall be publicly available and posted on the Company website.

3.1 The Board may establish an Executive Committee to act on such specific matters within the competence of the Board of Directors, except with respect to the following: (1) approval of any action for which stockholders' approval is also required under the law or the By-Laws; (2) the filling of vacancies in the Board; (3) the amendment or repeal of by-laws or the adoption of new by-laws; (4) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (5) a distribution of cash dividends to the stockholders; and (6) such other matters as may be specifically excluded or limited by law or the Board of Directors. The Executive Committee shall be composed of at least three (3) members of the Board of Directors.

3.2 The Board should establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee should be composed of at least three (3) appropriately qualified directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

3.3 The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including functions of a nomination and remuneration committee. It should be composed of at least three (3) members, a majority of whom should be independent directors, including the Chairman.

3.4 The Related Party Transactions Committee shall have the primary function of reviewing all material related party transactions (RPT). It shall be composed of at least three (3) directors, the majority of whom, including the Chairman, shall be independent.

#### 4. FOSTERING COMMITMENT

To show full commitment to the Company, the directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Corporation's business.

4.1 The directors shall have the responsibility to attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director shall

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

4.2 Non-executive and independent directors may hold a maximum of five (5) board seats in publicly-listed companies simultaneously.

4.3 The director shall notify the Board where he/she is an incumbent before accepting a directorship in another company.

## 5. REINFORCING BOARD INDEPENDENCE

The board shall endeavor to exercise an objective and independent judgment on all corporate affairs.

5.1 The Board shall have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

5.2 An independent director of the Corporation must possess all the qualifications and none of the disqualifications of a regular director.

5.3 The Board's independent directors shall serve for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

5.4 The positions of Chairman of the Board and Chief Executive Officer shall, as far as practicable, be held by separate individuals and each shall have clearly defined responsibilities.

5.4.1 The Chief Executive Officer shall have the following responsibilities:

- 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.

5.5 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 President are held by one person.

5.5.1 The lead director shall have the following responsibilities:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

5.6 A director with a material interest in any transaction affecting the Corporation shall abstain from taking part in the deliberations of the same.

5.7 The non-executive directors (NEDs) shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings shall be chaired by the lead independent director.

## 6. ASSESSING BOARD PERFORMANCE

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.

### 6.1 Board Evaluation

6.1.1 The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment shall be supported by an external facilitator.

6.1.2 The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and committees. This system shall allow for a feedback mechanism from the shareholders.

## **7. STRENGTHENING BOARD ETHICS**

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

7.1 The Board shall adopt a Code of Ethics that shall provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, Senior Management and employees. It shall also be disclosed and made available to the public through the Company website.

7.2 The Board shall ensure proper and efficient implementation and monitoring of compliance with the Code of Ethics and internal policies.

## **IV. DISCLOSURE AND TRANSPARENCY**

### **8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES**

The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

8.1. Corporate disclosure policies and procedures shall be in place to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders to give a fair and complete picture of the Company's financial condition, results and business operations.

8.2. The Company shall have a policy requiring all directors and officers to disclose/report to the Company any dealings in the Company's shares within three business days.

8.3. The Board 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.

8.4. A clear disclosure of its policies and procedure shall be in place for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. Also, there shall be a disclosure on remuneration on an individual basis, including termination and retirement provisions.

8.5. Full disclosure of the Company's policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions shall be required in the Manual on Corporate Governance. The material or significant RPTs reviewed and approved during the year shall be disclosed in its Annual Corporate Governance Report.

8.6. A full, fair, accurate and timely disclosure shall be made to the public of every material fact or event that occurs, particularly on the acquisition or



disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree Company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

8.7. The corporate governance policies, programs and procedures shall be submitted to the regulators and posted on the Company website.

**9. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY**

The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

9.1 The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal and fees of the external auditor. The appointment, reappointment, removal and fees of the external auditor shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the Company website and required disclosures.

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

9.3 The nature of non-audit services performed by the external auditor shall be disclosed in the Annual Report to deal with any potential conflict of interest. The Audit Committee shall be on alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

**10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

The Company shall ensure that the material and reportable non-financial and sustainability issues are disclosed.

10.1. There shall be an established policy on the disclosure of material and reportable non- financial and sustainability issues, with emphasis on the

management of economic, environmental, social and governance (EESG) issues of the business using a globally recognized standard/ framework.

**11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION**

The Company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information to its shareholders and other investors. This channel is crucial for timely and informed decision-making by investors, stakeholders and other interested users. These shall include, but not limited to, Company website, media and analyst briefings.

**V. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**

**12. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK**

To ensure integrity, transparency and proper governance in the conduct of its affairs, the Company shall have a strong and effective internal control system and enterprise risk management framework.

12.1 The Company shall have an adequate and effective internal control system and enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of its operations.

12.2 The Company shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Company's operations. The functions of the Internal Audit include, among others, the following:

- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values 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;
- b. Performs regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;



- f. 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;
- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes.

12.3 The Chief Audit Executive (CAE), appointed by the Board, shall oversee and be responsible for the internal audit activity of the organization, including the portion that is outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, qualified independent executive or senior management personnel shall be assigned the responsibility for managing the fully outsourced internal audit activity.

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 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.

If a CAE is not appointed by the Board, the relevant functions of the CAE shall be performed by the Audit Committee.

#### 12.4 Enterprise Risk Management

The Company shall establish a separate, effective enterprise risk management function to identify, assess and monitor key risk exposures.

12.4.1. 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 Company'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 Company, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee or the Audit Committee (if the Board Risk Oversight Committee is not yet created); and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

12.5 In managing the Company's Risk Management System, the Company shall 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 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 the implementation of risk management strategies and action plans to the Board Risk Oversight Committee or the Audit Committee (if the Board Risk Oversight Committee is not yet created);
- c. Collaborates with the President in updating and making recommendations to the Board Risk Oversight Committee or the Audit Committee (if the Board Risk Oversight Committee is not yet created);
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:
  - i. Risk management processes are performing as intended;
  - ii. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - iii. Established risk policies and procedures are being complied with.

If a CRO is not appointed by the Board, the relevant functions of the CRO shall be performed by the Audit Committee.



## **VI. CULTIVATING SYNERGIC RELATIONSHIP WITH SHAREHOLDERS**

### **13. PROMOTING SHAREHOLDERS RIGHTS**

The Company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

- 13.1. The Board should ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on the company's website.
- 13.2. The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting.
- 13.3. The Board shall 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 shall be available on the Company website within five (5) business days from the end of the meeting.
- 13.4. 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. This should be included in the company's Manual on Corporate Governance.
- 13.5. The Company shall establish an Investor Relations Office (IRO) to facilitate constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting.

## **VII. DUTIES TO STAKEHOLDERS**

### **14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS**

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.

- 14.1. The Board shall identify the Company's various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability.
- 14.2. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.
- 14.3. The Board shall adopt a transparent framework and process that allows stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

## **15. ENCOURAGING EMPLOYEES' PARTICIPATION**

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

- 15.1. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance. These policies and programs, among others, may be in the areas of health, safety and welfare, training and development, rewards/compensation for employees.
- 15.2. The Board shall set the tone and make a stand against corrupt practices by adopting an anti- corruption policy and program in its Code of Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the Company's culture.
- 15.3. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

## **16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

The Company shall be socially responsible in all its dealings with the communities where it operates. It shall 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.

- 16.1. The Company shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

## **VIII. PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL**

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the company'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:

- 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.
- C. For third violation, the maximum penalty of removal from office shall be imposed.

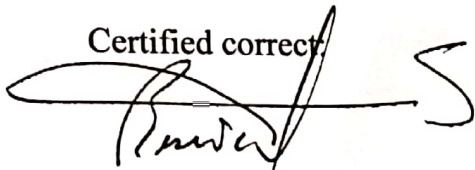


- D. The Board shall nevertheless have the discretion either to impose additional penalties or lessen the above penalties based on the presence of aggravating or mitigating circumstances accompanying the violation of this Manual.

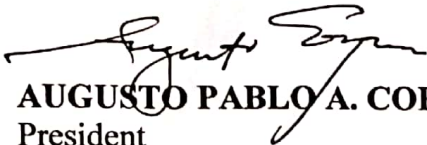
The commission of a third violation of this Manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

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.

Certified correct



**RESTITUTO T. LOPEZ**  
Chairman



**AUGUSTO PABLO A. CORPUS, JR.**  
President



**JOHN F. CATINDIG**  
Compliance Officer/Director