

# COVER SHEET

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S.E.C Registration Number

G R E E N E R G Y   H O L D I N G S  
I N C O R P O R A T E D

(Company's Full Name)

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P U L I L A N   B U L A C A N

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REVISED MANUAL ON  
CORPORATE GOVERNANCE

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## **REVISED MANUAL ON CORPORATE GOVERNANCE**

### **GREENERGY HOLDINGS INCORPORATED**

This Revised Manual on Corporate Governance is adopted pursuant to Securities and Exchange Commission (“SEC”) Memorandum Circular No. 19, Series of 2016, which prescribes the Code of Corporate Governance for Publicly Listed Companies.

#### **Article 1: OBJECTIVE**

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

The Board of Directors, Management, Employees and Shareholders of Greenergy Holdings Incorporated believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

#### **Article 2: DEFINITION OF TERMS**

- A) **Board of Directors or Board** — The governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties.
- B) **Company** – Refers to Greenergy Holdings Incorporated.
- C) **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.

- D) **Exchange** — An organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.
- E) **Executive Director** — A director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- F) **Independent Director** — A person who, apart from his fees and shareholdings, 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.

- G) **Internal Audit** — An independent and objective assurance activity designed to add value to and improve the Company's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- H) **Internal Audit Department** — A department or unit of the Company and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the Company's operations.
- I) **Internal Control** — A process designed and effected by the Board, 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.
- J) **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 Company is exposed.
- K) **Key Management** — Officers of the Company identified by the Board whose functions are essential to the success of the Company, such as, the Chief Executive Officer, Chief Financial Officer and the General Managers.
- L) **Management** — A group of executives given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Company.
- M) **Manual** — Refers to this Revised Manual on Corporate Governance.
- N) **Non-Executive Director** — A director who has no executive responsibility and does not perform any work related to the operations of the Company.
- O) **Non-Audit Work** — The other services offered by an external auditor to the Company 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.
- P) **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.

- Q) **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 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.
- R) **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.

**Article 3: RULES OF INTERPRETATION**

- A) All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.
- B) 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 stockholders and investors of the Company.

**Article 4: BOARD GOVERNANCE**

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

**A) Composition of the Board**

The Board shall be composed of eleven (11) members who are elected by the stockholders.

The Company shall have at least two (2) independent directors or such number of independent directors that constitute twenty percent (20%) of the members of the Board, whichever is less, but in no case less than two (2). The Board's independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the same Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

Majority of the members of the Board should be non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

The members of the Board shall have a collective working knowledge, experience or expertise that is relevant to the Company's industry/sector. The Board shall adopt a policy on board diversity which shall take into consideration not just gender but age, ethnicity, culture, skills, competence and knowledge.

## **B) Multiple Board Seats**

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

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

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

## **C) The Chairman and Chief Executive Officer**

A competent and qualified Chairman should head the Board.

The roles of Chairman and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and CEO upon their election.

If the positions of Chairman and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives. In such case, the Board should designate a lead director among the independent directors. This lead director shall have sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the lead director include, among others, the following:

- (i) Serve as an intermediary between the Chairman and the other directors when necessary;

- (ii) Convene and chair meetings of the non-executive directors; and
- (iii) Contribute to the performance evaluation of the Chairman, as required.

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

- (i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chairman may deem necessary;
- (ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors, and make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- (iii) Maintain qualitative and timely lines of communication and information between the Board and Management;
- (iv) Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- (v) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (vi) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- (vii) Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- (viii) Make sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

The duties and responsibilities of the CEO may include, among others, the following:

- (i) Determines the Company's strategic direction and formulates and implements its strategic plan on the direction of the business;
- (ii) Communicates and implements the Company's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- (iii) Oversees the operations of the Company and manages human and financial resources in accordance with the strategic plan;

- (iv) Has a good working knowledge of the Company's industry and market and keeps up-to-date with its core business purpose;
- (v) Directs, evaluates and guides the work of the key management of the Company;
- (vi) Manages the Company's resources prudently and ensures a proper balance of the same;
- (vii) Provides the Board with timely information and interfaces between the Board and the employees;
- (viii) Builds the corporate culture and motivates the employees of the Company; and
- (ix) Serves as the link between internal operations and external stakeholders.

**D) Qualifications of Directors**

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications such as:

- (i) College education or equivalent academic degree;
- (ii) Practical understanding of the business of the Company;
- (iii) Membership in good standing in relevant industry, business or professional organizations; and
- (iv) Previous business experience.

Likewise, the Board may provide for qualifications of independent directors which include, among others, the following:

- (i) Is not, or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Company;
- (ii) Is not, and has not been in the three (3) years immediately preceding the election, a director of the Company; a director, officer, employee of the covered Company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its related companies;
- (iii) Has not been appointed in the Company, 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;

- (iv) Is not an owner of more than two percent (2%) of the outstanding shares of the Company, its subsidiaries, associates, affiliates or related companies;
- (v) Is not a relative of a director, officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- (vi) Is not acting as a nominee or representative of any director of the Company or any of its related companies;
- (vii) Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- (viii) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- (ix) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the 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;
- (x) Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- (xi) Is not employed as an executive officer of another company where any of the Company's executives serve as directors.

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

## **E) Disqualification of Directors**

### **1. Permanent Disqualification**

The following shall be grounds for the permanent disqualification of a director:



- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission ("Commission"), Bangko Sentral ng Pilipinas ("BSP") or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person (a) is currently the subject of an order of the Commission, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the Commission, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same Company;
- (vi) Any person judicially declared as insolvent;

- (vii) 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 subparagraphs previously;
- (viii) Conviction 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
- (ix) Other grounds as the Commission may provide.

## 2. Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- (ii) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- (iii) Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer or securities and holder of a secondary license from the Commission. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- (iv) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with; and
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

## **F) Responsibilities, Duties and Functions of the Board**

### **1. General Responsibility**

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

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

### **2. Duties and Functions**

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

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers.
- b) Adopt an effective succession planning program for the Management, which includes a policy on the retirement age for directors and key management as part of management succession and to promote dynamism in the Company.
- c) Undergo relevant orientation program and continuing training as may be required by law or regulations. The orientation program for first-time directors shall include SEC-mandated topics on corporate governance and an introduction to the Company's business, Articles of Incorporation, By-Laws, this Manual, and such other committee charters and rules and regulations as may be implemented by the Company from time to time. The annual continuing training program shall include courses on relevant corporate governance matters such as audit, internal controls, risk management, sustainability and strategy.
- d) Provide sound strategic policies and guidelines to the Company on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- e) Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.

- f) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. If feasible, the Company's CEO or chief financial officer shall exercise oversight responsibility over this program.
- g) Identify the Company's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them, which includes media and analysts' briefings as channels of communication.
- h) Adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights.
- i) Adopt a system of checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness.
- j) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability.
- k) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- l) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- m) Establish and maintain, as far as practicable, an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.
- n) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
- o) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws, and in accordance with existing laws, rules and regulations.

- p) Appoint a Compliance Officer who shall have the rank of at least senior vice president or an equivalent position.
- q) Adopt a formal and transparent Board nomination and election policy which shall include the following: (i) process of accepting nominations from minority shareholders, (ii) review and evaluation of the qualifications of nominated candidates, (iii) monitoring of the qualifications of the directors, and (iv) assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director.
- r) Adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the Company website. The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.
- s) Adopt a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.
- t) Adopt a Code of Conduct which includes an anti-corruption policy and program. This should be disseminated to employees across the organization through trainings to embed them in the Company's culture.
- u) 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 should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

**G) Specific Duties and Responsibilities of a Director**

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

A director should observe the following norms of conduct:

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

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

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.

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

A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of and knowledgeable with the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- (iii) **Act judiciously.**

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

- (iv) **Exercise independent judgment.**

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

- (v) **Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its Articles of Incorporation and By-Laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.**

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

**(vi) Observe confidentiality.**

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

**H) Internal Control Responsibilities of the Board**

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

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
  - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational controls;
  - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - c) Evaluation of proposed senior management appointments;
  - d) Selection and appointment of qualified and competent management officers; and
  - e) Review of the Company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (ii) In determining the scope and particulars of the systems of effective organizational and operational controls may differ among corporations, the Company may take into consideration the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- (iii) The Company may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and

may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

- (iv) The non-executive directors (“NEDs”) should 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 Company. The meetings should be chaired by the lead independent director.

**I) Board Meetings and Quorum Requirement**

The directors may attend 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.

Independent directors should always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) independent director in all its meetings.

**J) Remuneration of Directors and Officers**

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

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

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

**K) Board Committees**

The Board shall constitute the following committees to assist in adopting and implementing good corporate governance.

**(i) Audit Committee**

The Audit Committee which shall consist of at least three (3) directors who shall preferably have accounting and finance backgrounds, one of whom, shall be an independent director and another with audit



experience. The Chairman of the Audit Committee should be an independent director.

The Audit Committee shall have the following functions:

General

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c) Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d) Disclose its responsibility on assessing the integrity, independence, suitability and effectiveness of the external auditor;
- e) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- f) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- h) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- i) Review the reports submitted by the internal and external auditors;
- j) Review the quarterly, half-year 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;

- Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - Going concern assumptions;
  - Compliance with accounting standards; and
  - Compliance with tax, legal and regulatory requirements;
- k) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- l) Evaluate and determine the non-audit work, if any, of the external auditor to deal with potential conflict of interest, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report; and
- m) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of Internal Auditor, he shall be free from interference by outside parties.

#### Board Risk Oversight

- a) Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b) Oversee the implementation of the enterprise risk management plan through the Company's Strategy function. The Audit Committee shall conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;
- c) Evaluate the enterprise risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Audit Committee shall revisit defined 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;

- d) Advise the Board on its risk appetite levels and risk tolerance limits;
- e) Review at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company;
- f) Assess the probability of each identified risk becoming a reality and estimate 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 Company and its stakeholders;
- g) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h) Report to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

#### Related Party Transaction ("RPT") Oversight

- a) Recommend a policy on RPTs for approval of the Board;
- b) Evaluate on an ongoing basis the existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPT are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- c) Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Audit Committee takes into account, among others, the following:

- i. The related party's relationship to the Company and interest in the transaction;
  - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - iii. The benefits to the Company 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 Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- d) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
  - e) Report to the Board 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;
  - f) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
  - g) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.
- (ii) Corporate Governance Committee

The Corporate Governance Committee composed of at least three (3) members, two (2) of whom should be independent directors, including the Chairman. The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- a. 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

Company's size, complexity and business strategy, as well as its business and regulatory environments;

- b. 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;
- c. 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;
- d. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board; and
- g. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

(iii) **Nomination Committee**

The Nomination Committee shall be composed of at least three (3) members and one (1) of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes in the election or replacement of directors.

All established committees should 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 should provide the standards for evaluating the performance of the Committees. It should also be fully disclosed on the Company's website.

**L) The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Company. He should –

- (i.) Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them

accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

- (ii.) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (iii.) Assist 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;
- (iv.) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Company;
- (v.) Be loyal to the mission, vision and objectives of the Company;
- (vi.) Work fairly and objectively with the Board, Management and stockholders and other Stakeholders and contribute to the flow of information between the Board and Management, the Board and its committees, and the Board and its Stakeholders, including shareholders;
- (vii.) Have appropriate administrative and interpersonal skills;
- (viii.) If he is not at the same time the Company's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities, and advise the Board and the Chairman on all relevant issues as they arise;
- (ix.) Have a working knowledge of the relevant industry developments and operations of the Company;
- (x.) Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- (xi.) Advise on the establishment of board committees and their terms of reference;
- (xii.) Annually attend a training on corporate governance;
- (xiii.) Perform required administrative functions;
- (xiv.) Oversee the drafting of the By-Laws and ensure that they conform with regulatory requirements; and
- (xv.) Perform such other duties and responsibilities as may be provided by the SEC.

**M) The Compliance Officer**

The Board shall appoint a Compliance Officer who shall be a member of the Company's Management team in charge of compliance functions. He shall perform the following duties:

- (i.) Monitor compliance by the Company with the Code of Corporate Governance for Publicly Listed Companies and the rules and regulations of the regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (ii.) Appear before the Commission when summoned in relation to compliance with the Code of Corporate Governance for Publicly Listed Companies;
- (iii.) Ensure proper onboarding of new directors (i.e., orientation on the Company's business, Articles of Incorporation, and By-Laws, among others);
- (iv.) Ensure the integrity and accuracy of all documentary submissions to regulators;
- (v.) Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- (vi.) Identify possible areas of compliance issues and work towards the resolution of the same;
- (vii.) Ensure the attendance of board members and key management to relevant trainings;
- (viii.) Attends training on corporate governance annually; and
- (ix.) Perform such other duties and responsibilities as may be provided by the SEC.

**Article 5: ADEQUATE AND TIMELY INFORMATION**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

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

**Article 6: ACCOUNTABILITY AND AUDIT**

- A) The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

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

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

- (i) The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders should be maintained;
- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- (iv) The Company should consistently comply with the financial reporting requirements of the Commission; and
- (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures; control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not,



he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

- B) 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 shall be in place.

The following are the functions of the internal auditor, among others:

- (i) 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;
- (ii) Performs regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- (iii) Performs consulting and advisory services related to governance and control as appropriate for the organization;
- (iv) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- (v) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
- (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.

The Company's internal audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third-party service providers.

- C) The Board, after consultations with the Audit Committee and upon ratification by the shareholders, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Company. Non-audit work may be given to the external auditor, provided it does

not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

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

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

**Article 7: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

- A) The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
- (i) Right to vote on all matters that requires their consent or approval;
  - (ii) Right to inspect corporate books and records;
  - (iii) Right to information;
  - (iv) Right to dividends; and
  - (v) Appraisal right.
- B) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings and to actively participate in the realization of the Company's goals and in its governance. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Company website within five (5) business days from the end of the meeting.

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

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, and without prejudice to compliance with the provisions of the Corporation Code, the Securities Regulation Code and all relevant rules and regulations, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

#### **Article 8: GOVERNANCE SELF-RATING SYSTEM**

The Board may create an internal self-rating system that can measure the performance of the Board and Management led by the CEO, and control functions led by their respective heads, and the committees in accordance with the criteria provided for in the Code of Corporate Governance for Publicly Listed Companies.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's annual report.

Every three (3) years, the assessment should be supported by an external facilitator. The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.

#### **Article 9: DISCLOSURE AND TRANSPARENCY**

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

It is therefore essential that all material information about the Company which could adversely affect its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

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

The Board should 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.

The Company should provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. Also, the Company should disclose the remuneration on an individual basis, including termination and retirement provisions.

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

**Article 10: COMMITMENT TO GOOD CORPORATE GOVERNANCE**

The Company shall exert its best efforts to implement the corporate governance rules embodied in this manual.

This Manual shall be made available for inspection by any shareholder at reasonable hours of the business day.

**Article 11: REGULAR REVIEW OF THE MANUAL AND THE SCORECARD**

The Company undertakes to accomplish annually a scorecard on the scope, nature and extent of the actions the Company has taken to meet the objectives of the Code of Corporate Governance for Publicly Listed Companies.

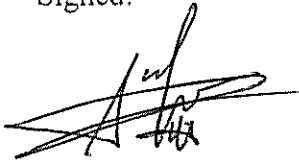
**Article 12: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

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 provision of this Manual:

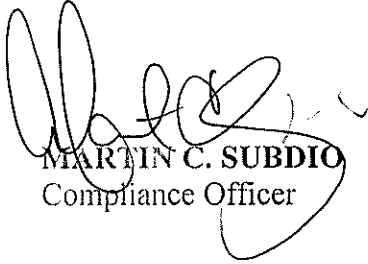
- a) In the case of a first violation, the subject person shall be reprimanded.
- b) In the case of a second violation, suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.
- c) For a third violation, the maximum penalty of removal from office shall be imposed. The commission of a third violation of this Manual by any member of the Board 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 the imposable penalty for such violation to the Chairman of the Board, for further review and approval of the Board.

Signed:

A handwritten signature in black ink, appearing to be 'Antonio L. Tiu', written over a horizontal line.

**ANTONIO L. TIU**  
President

A handwritten signature in black ink, appearing to be 'Martin C. Subdio', written over a horizontal line.

**MARTIN C. SUBDIO**  
Compliance Officer