

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Atty. Riva Khristine V. Maala

(Contact Person)

(+632) 403-6910

(Company Telephone Number)

Manual of Corporate Governance

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Month Day
(Fiscal Year)

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(Form Type)

31 May 2017

06 Last Fri day

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

Total No. of Stockholders

Domestic

□

Foreign

To be accomplished by SEC Personnel concerned

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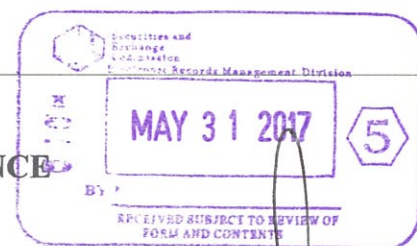
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MANUAL ON CORPORATE GOVERNANCE (Revised as of 31 May 2017)

The Board of Directors and Management, including officers and staff, of **ARTHALAND CORPORATION** (hereinafter, the “Corporation”) have adopted the following principles and practices of good corporate governance and have committed that these principles and practices shall serve as their guide in the attainment of the Corporation’s corporate goals and objectives. As the Corporation’s operating subsidiaries are also instrumental in the attainment of its corporate goals, this Manual, to the extent applicable, shall also serve as a guide in their management and operations.

1. OBJECTIVE

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

The stockholders, Board of Directors, officers and employees believe that good corporate governance is a necessary component of a sound and strategic business management and will therefore undertake every effort necessary to create awareness of the Manual within the entire organization as soon as possible.

2. DEFINITION OF TERMS

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

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling longterm 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.

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

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.

Independent Director – a person who is independent of management and the controlling shareholder, 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, and possesses the necessary qualifications and none of the disqualifications for an independent director as provided in the By-laws of the Corporation.

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

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

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.

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.

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.¹

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.

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.

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.

¹ Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework)

3. RULES OF INTERPRETATION

All references to the masculine gender in this Manual shall likewise apply to the feminine gender.

Any and 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 Corporation.

4. COMPLIANCE SYSTEM

A. Compliance Officer

To ensure the adherence to corporate principles and best practices as embodied in this Manual and other relevant laws, the Board of Directors shall be assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. He is not a member of the Board of Directors but of Management in charge of the compliance function, but similar to the Corporate Secretary, he is primarily liable to the Corporation and its shareholders.

The Compliance Officer shall annually attend a training on corporate governance.

He shall perform the following duties:

- 1) Ensure proper onboarding of new directors (*i.e.* orientation on the Corporation's business, charter, Articles of Incorporation and By-laws, among others);
- 2) Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- 3) Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- 4) Ensure the integrity and accuracy of all documentary submissions to regulators;
- 5) Appear before the Securities and Exchange Commission (SEC) when summoned in relation to compliance with this Code;
- 6) Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- 7) Identify possible areas of compliance issues and work towards the resolution of the same;
- 8) Ensure the attendance of board members and key officers to relevant trainings; and

- 9) Performs such other duties and responsibilities as may be provided by the SEC.

B. Plan of Compliance

1) Board Governance

Compliance with the principles of good corporate governance shall start with the Board of Directors (the “Board”, for brevity). 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 directors with a collective working knowledge, experience or expertise that is relevant to the Corporation’s industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board is composed of such number of Directors as provided in the Corporation’s Articles of Incorporation², subject to their election and qualification. It 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.

b) Multiple Board Seats

The Board shall adopt guidelines on the number of directorships that its members can hold in other private and publicly listed companies, taking into consideration that the optimum number, particularly for publicly listed companies, is five (5) board seats simultaneously. The Chief Executive Officer (“CEO”) and other Executive Directors may be covered by a lower indicative limit in other publicly listed companies outside of the Group.

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. Thus, a director shall notify the Board before accepting a directorship in another company to enable it to assess if his present responsibilities and commitment to the Corporation will be affected and if said director can still adequately provide what is expected of him/her.

c) Responsibilities, Duties and Functions of the Board

(1) General Responsibility

² The Board shall have at least two (2) Independent Directors or such number of Independent Directors that constitutes twenty percent (20%) of the total number of directors of the Board pursuant to the Corporation’s Articles of Incorporation, whichever is lesser, but in no case less than two (2).

It is the Board's responsibility to 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, and not those of the controlling company of the group or any other stakeholder. Further, the Board shall oversee the development of and approve the Corporation's business objectives and strategy and monitor their implementation, in order to sustain the Corporation's long-term viability and strength.

(2) Duties and Functions

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

- (a) The Board shall be responsible in ensuring and adopting a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and an effective succession planning program for directors, key officers and Management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of Management succession and to promote dynamism in the Corporation;
- (b) The Board shall align the remuneration of key officers and board members with the long-term interests of the Corporation. 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;
- (c) The Board shall have a formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The 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 aligned with the strategic direction of the Corporation;
- (d) 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;

- (e) 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 which include the Chief Risk Officer, the Chief Compliance Officer and the Chief Audit Executive;
- (f) The Board shall establish an effective performance management framework that will ensure that Management, including the Chief Executive Officer, and other personnel's performance is at par with the standards set by the Board and Senior Management;
- (g) 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;
- (h) The Board shall approve the Internal Audit Charter;
- (i) The Board shall adopt a Code of Business Conduct and Ethics, as may be necessary, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings, and shall ensure the proper and efficient implementation and monitoring of compliance with the said Code;
- (j) 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;
- (k) The Board shall establish 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, and adopt a globally recognized standard/framework in reporting sustainability and these non-financial issues; and
- (l) The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. This Board Charter shall serve as a guide to the directors in the performance of their functions.

d) Internal Control Responsibilities of the Board

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

The control environment of the Corporation consists of (1) the Board which ensures that the Corporation is properly and effectively managed and supervised; (2) a Management that actively manages and operates the Corporation in a sound and prudent manner; (3) the organizational and procedural controls supported by effective management information and risk management reporting systems; and, (4) an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Corporation's 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 the compliance with laws, rules, regulations and contracts.

The Corporation may also have a separate risk management function to identify, assess and monitor key risk exposures.

e) 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 Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

The directors should attend and actively participate in all meetings of the Board, the Committees of which they are members, and the Shareholders, whether in person or through tele-/videoconferencing, conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, among others, prevent them from doing so. In Board and Committee meetings, the directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

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

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

Non-executive Directors are urged to conduct separate periodic meetings with the external auditor and heads of internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Corporation.

f) The Chairman of the Board and CEO

The roles of the Chairman of the Board and the CEO should, as much as practicable, be held by different persons in order 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 the CEO upon their election.

If the positions of Chairman and CEO are held by the same person, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

Further, the Board shall designate a lead director among the independent directors if the Chairman of the Board is not an independent director, as well as if the positions of the Chairman of the Board and CEO are held by one person. The functions of the lead director include, among others, the following:

- (1) Serve as intermediary between the Chairman and the other directors when necessary;
- (2) Convene and chair meetings of the Non-executive Directors, if any; and
- (3) 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:

- (1) Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- (2) Guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- (3) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (4) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- (5) Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- (6) Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

The CEO has the following roles and responsibilities, among others:

- (1) Determine the Corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- (2) Communicate and implement the Corporation's vision, mission, values and overall strategy, and promote any organization or stakeholder change in relation to the same;

- (3) Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- (4) Have a good working knowledge of the Corporation's industry and market and keep up-to-date with its core business purpose;
- (5) Direct, evaluate and guide the work of the key officers of the Corporation;
- (6) Manages the Corporation's resources prudently and ensure a proper balance of the same;
- (7) Provide the Board with timely information and interfaces between the Board and the employees;
- (8) Build the corporate culture and motivates the employees of the Corporation; and
- (9) Serve as the link between internal operations and external stakeholders.

2) Board Committees

The Board of Directors may create such committees as may be necessary or convenient for the operations and management of the Corporation, define their functions and responsibilities, and determine their composition.

To aid in complying with the principles of good corporate governance, the Board shall constitute, initially, the following Committees:

a) Executive Committee

There shall be an Executive Committee to which the Board may delegate some of its powers and authorities which may lawfully be delegated. It shall be composed of the Chairman of the Board, the President and CEO, the Chief Finance Officer and such other officers of the Corporation as may be appointed by the Board.

The Executive Committee shall adopt and observe its own internal procedures and conduct of business.

b) Nomination Committee

The Board shall create a Nomination Committee composed of at least three (3) members of the Board, one of whom must be an Independent Director, to review and evaluate the qualifications of all persons nominated to the Board and such other appointments which require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. It shall pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with

the qualifications outlined in the Corporation's By-laws, in addition to the qualifications for membership in the Board provided in the Corporation Code of the Philippines, the Securities Regulation Code and other relevant laws. The decision of the Nomination Committee is final for purposes of the election.

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

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

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

- (3) 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 or transgressions;
- (4) Any person who has been adjudged by final judgment or order of the

Commission, 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 of the Philippines, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

- (5) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation;
- (6) Any person judicially declared as insolvent;
- (7) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above; and,
- (8) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code of the Philippines committed within five (5) years prior to the date of his election or appointment.

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

- (1) Refusal to fully disclose the extent of his business interests as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as the refusal persists;
- (2) Absence or non-participation for whatever reason/s 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;
- (3) Dismissal/termination for cause as director of any corporation covered by this Code. 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;
- (4) Being under preventive suspension by the Corporation;
- (5) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- (6) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

c) Stock Option and Compensation Committee

The Board shall create the Stock Option and Compensation Committee composed of at least three (3) members, one of whom must be an Independent Director, and shall have the following duties and responsibilities:

- (1) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of a senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy, and control environment;
- (2) Designate an amount of remuneration which shall be in a sufficient level 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;
- (3) Develop a Full Business Disclosure Form as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under penalty of perjury all their existing business interests or shareholdings that may, directly or indirectly, conflict in the performance of duties once hired;
- (4) Disallow any Director to participate in deciding on his remuneration;
- (5) Provide in the Corporation's Annual Reports and Information and/or Proxy Statements a clear, concise, and understandable disclosure of all fixed and variable compensation that were and may be paid, directly or indirectly, to its directors, CEO and top four (4) management officers for the previous fiscal year and the ensuing year; and,
- (6) Review or cause the development of the Corporation's Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

d) Audit Committee

The Audit Committee which shall be composed of at least three (3) members of the Board, at least two (2) of whom shall be Independent Directors, including the Chairman thereof, and preferably all with accounting, auditing or related financial management expertise or experience. Each member should have adequate understanding at least or competence at most of the Corporation's financial management system and environment.

The Audit Committee shall have the following functions, among others:

- (1) The Audit Committee shall establish 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 should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. The reasons for the removal or change of the external auditor should be disclosed to the regulators and the public.
- (2) The Audit Committee shall come out with an Audit Committee Charter which will 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 should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
- (3) The Audit Committee shall be 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. The Audit Committee shall ensure that the nature of non-audit services performed by the external auditor is disclosed accordingly.

3) The Corporate Secretary

The Corporate Secretary who must be a Filipino citizen and a resident of the Philippines is an officer of the Corporation. He should be loyal to the mission, vision and objectives of the Corporation.

If he is not at the same time the Corporation's Legal Counsel, he must be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities and have a working knowledge of the operations of the Corporation.

The duties and responsibilities of the Corporate Secretary shall include:

- a) Assisting 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) Safekeeping and preserving the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
 - c) Keeping abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advising the Board and the Chairman on all relevant issues as they arise;
 - d) Working 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) Advising on the establishment of board committees and their terms of reference;
 - f) Informing members of the Board, in accordance with the By-laws, of the agenda of their meetings at least two 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) Attending all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, among others, prevent him/her from doing so;
 - h) Performing required administrative functions;
 - i) Overseeing the drafting of the By-laws and ensuring that they conform with regulatory requirements; and
 - j) Performing such other duties and responsibilities as may be provided by the SEC.
- a) If he is also the Compliance Officer, perform all the duties and responsibilities as such officer as provided in this Manual.

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 involving the Corporation, particularly those 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.

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

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 Corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

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, among others:

- 1) The extent of Management's responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the External Auditor, shall be clearly explained;
- 2) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation shall be maintained for the benefit of the stockholders and other stakeholders;
- 3) On the basis of the approved audit plan/s, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations; and,
- 4) The Corporation shall consistently comply with the financial reporting requirements of its regulators.

B. External Audit

Only External Auditors duly accredited by the Corporation's regulators may be appointed by the Board to undertake an independent audit of the Corporation, and to provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. Such appointment shall be endorsed to the stockholders for ratification.

The External Auditor shall examine, inspect, check and audit the cash, books of accounts and all the transactions of the Corporation, and shall also perform such other duties as are ordinarily attached to his office. He shall render an annual report of the financial condition of the Corporation to the Board, which shall contain, among other things, the resources and liabilities of the Corporation, its

capital stock and surplus, its earnings and expenses, as well as losses, bad debts, and suspended and overdue accounts carried in the books as assets of the Corporation.

The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.

As a rule, the External Auditor shall not provide internal audit services to the Corporation at the same time. 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 disclosed in accordance with this Manual and pertinent rules and regulations of the Corporation's regulators. The report shall include a discussion of any disagreement, if any, between him and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve to their mutual satisfaction.

C. Internal Audit

The Corporation shall establish an internal audit system that can reasonably assure the Board, Management and the stockholders that its key organizational and operational controls are faithfully complied with. The internal audit system may include the establishment of an internal audit process in the subsidiaries to support the internal audit requirements of the Corporation.

Regardless of whether the Corporation's internal audit activity is a fully resourced one housed within the organization or outsourced to qualified independent third party service providers, the Board shall appoint an Internal Auditor and/or Chief Audit Executive who shall report to the Board through the Audit Committee. He shall be the principal auditing officer of the Corporation and as such, shall have the following functions in addition to such duties outlined in the Corporation's By-laws and those which may be prescribed by the Board or required by the Chairman of the Board:

- 1) Provide an independent risk-based assurance service to the Board, the Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (a) promoting the right values and ethics, (b) ensuring effective performance management and accounting in the organization, (c) communicating risk and control information, and (d) coordinating the activities and information among the Board, external and internal auditors, and Management;
- 2) Perform regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;

- 3) Perform consulting and advisory services related to governance and control as appropriate for the organization;
- 4) Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- 5) Reviews audit and assess the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- 6) Evaluate 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;
- 7) Evaluate specific operations at the request of the Board or Management, as appropriate; and
- 8) Monitors and evaluates governance processes.

The Internal Auditor shall submit regularly to the Audit Committee and Management a report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies approved by the Audit Committee. This 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.

Further, the Internal Auditor shall have the following responsibilities:

- 1) Periodically review the internal audit charter and present it to Management and the Audit Committee for approval;
- 2) Establish 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;
- 3) Communicate 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;
- 4) Spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- 5) Report periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and

- 6) Present findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

7. RIGHTS AND PROTECTION OF THE INTERESTS OF STOCKHOLDERS AND STAKEHOLDERS

The Board shall respect the rights of the stockholders provided in the Corporation Code and in the Corporation's Articles of Incorporation and By-laws, which include, as follows:

A. Right to vote on all matters that require their consent or approval

The Board should be transparent and fair in the conduct of stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings and if they cannot do so, 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 such right cannot be unduly restricted and any doubt on the validity of a proxy should be resolved in favor of the stockholder.

To enable minority stockholders to exercise their right to nominate candidates for the Board, all nominations for the election of directors by any of the stockholders submitted in writing to the Nomination Committee through the Corporate Secretary at the Corporation's principal place of business at least sixty (60) business days before the date of the stockholders' meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix, are considered.

Voting for the election of Directors shall be by ballot and the tabulation of the votes shall be supervised by the designated staff of the Corporation's External Auditor and stock and transfer agent; provided, that voting may be by *viva voce* upon approval by the majority of the stockholders present in the meeting.

B. Right to inspect corporate books and records

The records of all business transaction of the Corporation and the minutes of any meeting shall be open to inspection by any stockholder thereof at reasonable hours on business days and he may demand in writing for a copy of excerpts from said records or minutes at his expense.

C. Right to information

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. For this purpose, the Notice of Annual and Special Shareholders' Meeting shall be sent at least twenty-eight (28) days before the meeting.

To encourage active shareholder participation, any stockholders may request in writing the holding of meetings and the inclusion of items for discussion in the

agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the applicable requirements under the By-laws.

Also, the result of the votes taken during the most recent Annual or Special Shareholders' Meeting shall be publicly available not later than the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website as soon as possible, preferably within five (5) business days from the end of the meeting.

More importantly, the stockholders shall be provided, upon request and without cost or restriction, periodic reports which disclose personal and professional information about members of the Board and key officers and other certain matters, such as their holdings in the Corporation, dealings with the Corporation, relationships among Directors and key officers, and the aggregate compensation of Directors and certain officers.

D. Right to dividends

Subject to the Securities Regulation Code and its Implementing Rules and Regulations, as regularly amended, dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.

Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.

Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors.

E. Appraisal right

The stockholders shall have the right to dissent and demand payment of the fair value of their shares in the manner provided in the Corporation Code of the Philippines in the following circumstances: (i) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and (iii) in case of merger or consolidation.

It is the duty of the Board to promote the rights of the stockholders and stakeholders alike, promote cooperation between them and the Corporation in creating wealth, growth and sustainability, remove impediments to the exercise of their respective rights and provide an adequate avenue for them to seek timely redress for the breach thereof. Thus, the Board shall establish an Investor Relations Office (IRO) or appoint an Investor Relations Officer to ensure constant engagement with its shareholders and other stakeholders. The Board shall also make available alternative dispute mechanisms which any shareholder may opt to avail in order to resolve intra-corporate disputes in an amicable and effective manner.

8. EMPLOYEE PARTICIPATION

The Corporation shall establish policies and programs covering, among others, the health, safety and welfare, training and development, and reward/compensation for its employees to encourage them to perform better and motivate them to take a more dynamic role in the realization of the Corporation's goals and in its governance.

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in the Code of Conduct of the Corporation. This policy and program shall be disseminated to all employees across the organization through trainings and related activities.

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 this framework, as well as in supervising and ensuring its enforcement.

9. GOVERNANCE SELF-RATING SYSTEM

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

The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Manual. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Corporation's Annual Report or in such other applicable form or report required by the Commission.

This Manual shall be subject to annual review, unless the same frequency is amended by the Board.

All business processes and practices performed within any department or business unit of the Corporation found to be inconsistent with any portion of this Manual shall be deemed revoked and/or amended accordingly.

10. TRAINING PROCESS

The Board is tasked to ensure the thorough dissemination of this Manual to all employees of the Group and enjoin compliance. Further, funds shall be allocated by the Corporation for the purpose of conducting training of directors, including an orientation program for first-time directors, and relevant annual continuing training for all directors.

11. DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets. It is essential that all material information about the Corporation which could adversely affect its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed.

Therefore, the Board shall establish corporate disclosure policies and procedures, which may include media and analysts' briefings as channels of communication, to ensure a comprehensive, accurate, reliable and timely report and dissemination of public, material and relevant information to shareholders and other stakeholders that gives a fair and complete picture of a Corporation's financial condition, results and business operations. There shall also be a clear disclosure of the Corporation's policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same, including termination and retirement provisions, those governing RPTs and other unusual or infrequently occurring transactions, including reporting on RPTs as and when they are approved.

Further, all directors and officers are required to disclose/report to the Corporation any dealings in the Corporation's shares within three business days from the time the transaction took place. They shall also fully disclose all relevant and material information about themselves to enable the Board to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgment.

Finally, this Manual shall be available on the Corporation's website.

- Nothing follows. -

Pursuant to SEC Memorandum Circular No. 19, Series of 216 issued on 22 November 2016, this Manual of Corporate Governance is hereby amended on **31 May 2017**.



ERNEST K. CUYEGKENG
Chairman of the Board



RIVA KHRISTINE V. MAALA
Compliance Officer