

COVER SHEET

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SEC Registration Number

PACIFIC ONLINE SYSTEMS
CORPORATION

(Company's Full Name)

28th Floor, East Tower, Tektite
Towers, Exchange Road, Ortigas
Center, Pasig City

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

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MANUAL ON CORPORATE GOVERNANCE

Adopted on April 25, 2022

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REVISED MANUAL ON CORPORATE GOVERNANCE

Pacific Online Systems Corporation

The Board of Directors (the “Board”), Executive Committee, Management and Staff of Pacific Online Systems Corporation (the “Company”), hereby commit themselves to an open governance process through which its shareholders may derive assurance that, in protecting and adding value to its financial and human investment, the Company is being managed ethically, according to prudently determined risk parameters, and striving to achieve local best practices.

VISION

To be the gaming partner of choice.

MISSION

Create Hope. Live Life.

CORE VALUES

- Pacific Online is a learning organization composed of diverse individuals with unite of purpose and a shared vision.
- We strive for excellence in all we do.
- We fully accept accountability for all our actions, decisions and responsibilities.
- We create our future driven by a dynamic team of professionals.
- We always aim for efficiency in all aspects of our work.
- We accord everyone due respect and carry ourselves in a professional manner.
- We nurture relationships by providing quality service to all stakeholders.

DEFINITION OF TERMS:

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

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, and is free from any business or other relationship which could or could reasonably be perceived to, materially interfere with his exercise of independent judgement in carrying out his responsibilities as a director.

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.

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 the 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 the risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

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, 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 resource, services or obligations between 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.

Part I – OBJECTIVE

This manual shall institutionalize the principles of good corporate governance in the entire Company.

The Company believes that corporate governance, the system by reference to which companies are managed and controlled and from which the organization's values and ethics emerge, is of utmost importance to the Company's shareholders, and will therefore undertake every effort possible to create awareness throughout the entire organization.



Part II - COMPLIANCE SYSTEM

2.1 ESTABLISHING A COMPETENT BOARD

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

2.1.1 Composition and Board Diversity

The Board of Directors should, as far as practicable, be composed of qualified individuals with diverse backgrounds (gender, age, ethnicity, culture, skills, competence and knowledge) to effectively enable the Board to decide on corporate matters with the benefit of the varied experiences of the board members, and at least a majority should be non-executive directors.

The Board shall be composed of nine (9) directors who shall be elected at each annual meeting of the stockholders, to serve for a term of one (1) year. Each director shall be eligible for re-election in accordance with the Articles of Incorporation of the Company.

The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect of their election.

As provided in the Revised Corporate Governance Code of the Philippines and in compliance thereto, at least three (3) of the directors or such number as to constitute at least one-third (1/3) of the members of the Board, shall be Independent Directors.

Independent directors may serve for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from re-election as such independent director in the Company. The independent director then, however, may continue to qualify for nomination and election as a non-independent director. In exceptional cases, however, the Company may retain an independent director who has served for nine (9) years; provided, that the Company should provide meritorious justifications therefor and seek stockholders' approval during the annual stockholders' meeting. The nine-year maximum term for independent directors shall be reckoned from 2012, as per SEC Memorandum Circular No. 9 series of 2011 and SEC Memorandum Circular No. 4 series of 2017.

The Board shall designate a Lead Independent Director among the Independent Directors.

2.1.2 Training

The Company shall provide newly-elected Directors with an orientation detailing the Board's responsibilities, the various Board Committees and its respective charters, an explanation on the Company's business and operations, compliance with



corporate governance principles and other matters that will assist the Director in accomplishing his duties.

All newly-elected members of the Board of Directors shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute, provided that they have not previously attended such seminar. Such seminar for newly-elected directors should be for at least eight (8) hours, with the following topics sufficiently covered therein: Revised Code of Corporate Governance, ASEAN Corporate Governance Scorecard and SEC Annual Corporate Governance Report, board responsibilities; illegal activities of corporations/directors/officers, insider trading, protection of minority shareholders, short swing transactions, liabilities of directors, confidentiality, conflict of interest, related party transactions, case studies, and financial reporting and audit.

Newly-elected directors who have previously attended such seminar and re-elected directors shall be required to annually attend a corporate governance training seminar for at least four (4) hours.

2.2 THE CORPORATE SECRETARY

2.2.1. The Corporate Secretary, who shall be a Filipino citizen and resident, is an officer of the Company. The Corporate Secretary shall not concurrently be a member of the Board or the Compliance Officer of the Company. Perfection in performance and no surprises are expected of him. His loyalty to the mission, vision and specific business objectives of the Company come with his duties.

2.2.2. The following shall be the specific duties and responsibilities of the Corporate Secretary:

- a. Assist 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. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its committees, as well as other official records of the Company;
- c. Advise on the establishment of additional board committees and their terms of reference;
- d. Work fairly and objectively with the Board, Management, stockholders, and other stakeholders;
- e. Have appropriate administrative and interpersonal skills;
- f. If he is not at the same time the Company's legal counsel, to be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities, including relevant laws and rules affecting the industry and



operations of the Corporation, to be able to effectively advise the Board on all relevant issues as they arise;

- g. Have a working knowledge of the operations of the Company;
- h. Inform those members of the Board, or of the committees of the Board, as the case may be, in accordance with the By-Laws, of the agenda of their meetings at least five (5) working days in advance, 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;
- i. Attend all Board meetings except when justifiable causes, such as illness, death in the immediate family, and serious accidents prevent him from doing so;
- j. Ensure that all Board and committee procedures, rules, and regulations are strictly followed by members;
- k. Oversee the drafting and amendments of the by-laws and ensure that they conform with regulatory standards;
- l. Perform required administrative functions pertaining to his office, as defined in the Company's by-laws and pertinent government regulations.

2.3 COMPLIANCE OFFICER

2.3.1 To ensure adherence to corporate principles and best practices, the Company shall appoint a Compliance Officer who shall monitor the progress and status of the Company's corporate governance activities.

2.3.2 The Compliance Officer shall be a separate individual from the Corporate Secretary. The Compliance Officer should not be a member of the Board and must be an officer with stature and authority within the Company to implement its compliance objectives and functions.

2.3.3 The primary objectives and functions of the Compliance Officer are as follows:

- a. To promote awareness of good corporate governance and accountability within the Company;
- b. To monitor compliance with the provisions and requirements of this Manual, determine violations, and recommend penalty for violation thereof for further review and approval by the Board;
- c. To ensure compliance with the Code of Corporate Governance of the Philippines;
- d. To issue certification every 30th of January, and the publication in the Annual Report for each fiscal year, on the extent of the Corporation's compliance with this Manual;



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- e. Appear before the Securities and Exchange Commission (“SEC”) on behalf of the Company, on similar matters that need to be clarified;
 - f. Plan and organize seminars for the continuing progression of all the directors and senior management in the Company.

2.3.4 The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

2.4 ROLES AND RESPONSIBILITIES OF THE BOARD

2.4.1 DUTIES AND RESPONSIBILITIES OF THE BOARD

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

- a. Be responsible to the shareholders for the good standing of the Company, the management of its assets for optimum performance and the strategy for its future development.
- b. Set the strategic objectives of the Company, establish the Company’s vision and mission, determine investment policy, agree on performance criteria and delegate to management the detailed planning and implementation of that policy, in accordance with appropriate risk parameters.
- c. Be responsible for defining the Company’s level of risk tolerance and providing oversight over its risk management policies and procedures.
- d. Monitor compliance with policies, and achievement against objectives, by holding management accountable for its activity through the measurement and control of operations by regular reports to the Board, including monthly performance reporting and budget updates.
- e. Define the Company’s policy on disclosing non-financial information, with emphasis on the management of economic, environmental, social and governance issues of the Company’s business. The Board shall consider the adoption of globally recognized standards/frameworks in reporting non-financial and sustainability issues.
- f. Ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, and conduct itself with honesty and integrity in the performance of its duties and responsibilities.
- g. Identify the Corporation’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. For purposes of maintaining open lines of communication with its various stakeholders, the Corporate Secretary



and/or the Investor Relations Officer are designated as stakeholder engagement touchpoints through whom the stakeholders may course their concerns. The Company shall ensure that there is sufficient dialogue between the Company and the stakeholders in the community in which the Company operates, especially on concerns pertaining to sustainability.

- h. Be responsible for approving the appointment of key officers and assessing the performance of Management. The Board shall monitor and assess the performance of the Management based on established performance standards consistent with the Company's strategic objectives, and conduct a regular review of the Company's policies with the Management. In the selection process, fit and proper standards are to be applied on key personnel and due consideration shall be given to integrity, technical expertise and experience in the institution's business, either current or planned. Key personnel shall include, but not be limited to, the Chief Executive Officer, the Chief Risk Officer, the Chief Compliance Officer, Chief Audit Officer, and/or their functional equivalents.
- i. Setting in place clear rules for standards of ethical and professional behavior. The Board shall adopt therefor a Code of Business Conduct and Ethics which would set such standards, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the Company. The Company Code of Business Conduct and Ethics, and any amendments thereto, should be properly disseminated to the Board, Management and employees and posted in the company website. The Board shall ensure proper implementation and monitor compliance with the Company Code of Business Conduct and Ethics. The Code should include, among others, the anti-corruption policies of the Company.
- j. Ensure that the Company's transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders. The Board shall also be responsible for ensuring that the Company has a clear policy and system governing related party transaction (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The Board shall, as soon as practicable, set in place guidelines for the RPTs of the Company, which guidelines shall contain: (1) the definition of related parties, (2) the coverage of the RPT policy, (3) guidelines in ensuring arm's-length terms, (4) identification and prevention/management of potential or actual conflicts of interest which arise, (5) adoption of materiality thresholds, (6) internal limits for individual and aggregate exposures, (7) whistle-blowing mechanisms, and (8) restitution of losses and other remedies for abusive RPTs. The Board shall also set in place the mechanism for ratification by shareholders of material RPTs approved by the Board, in accordance with existing laws. The material RPTs shall be reviewed and approved during the year by both the Board and the stockholders, as well as disclosed in the Annual Corporate Governance Report.

2.4.2 The Board shall be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and responsibilities.

2.4.3 The Board shall delegate specific responsibilities to board committees with defined terms of reference.



2.4.4 The Board shall be guided by a Board Charter which shall serve as a guide to the directors in the performance of their functions. For transparency, the Board Charter shall be made available on the Company's website.

2.5 THE CHAIRMAN OF THE BOARD OF DIRECTORS

2.5.1. The Company shall have a Chairman of the Board of Directors (Chairman) who shall be elected in accordance with the provisions of the By-Laws.

2.5.2. As much as practicable, the roles of the Chairman and the President and Chief Executive Officer (CEO) shall 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 the President and CEO upon their election.

2.5.3. In the event that the positions of Chairman and President and CEO shall be unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

2.5.4. In addition to the functions of the Chairman as provided in the By-Laws, he shall also be responsible for the following:

- a. Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman shall deem necessary;
- b. Supervise the preparation of the agenda of each meeting of the Board, the Shareholders, and any of the committees of the Board with the Corporate Secretary, taking into account the suggestions of the President and CEO, Management, and the other directors;
- c. 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 the business operations of the Company;
- d. Maintain qualitative and timely lines of communication and information between the Board and Management;
- e. Facilitate discussion on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- f. Ensure that the Board sufficiently inquires on reports submitted and representations made by Management;
- g. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and



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- h. Make sure that performance of the Board is evaluated at least once a year and discussed or followed up on.

2.6 LEAD INDEPENDENT DIRECTOR

2.6.1 If the Chairman of the Board is non-independent and/or the position of the Chairman and Chief Executive Officer are held by the same person, the Board shall designate a lead director among the independent directors to perform the following functions:

- a. whenever necessary, serve as an intermediary between the Chairman and the other directors.
- b. convene and chair the meetings of the non-executive directors. The non-executive directors should have separate regular meetings with the external auditor and head of internal audit, compliance and risk functions of the Company, without the presence of the executive directors, to ensure that proper checks and balances are in place in the Company.
- c. contribute to the performance evaluation of the Chairman, and
- d. Lead the independent directors at Board meetings in raising queries and pursuing matters.

2.7 DUTIES AND RESPONSIBILITIES OF A DIRECTOR

2.7.1 To conduct fair business transactions with the Company and to ensure that personal interest does not bias Board decisions. He shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality, and should an actual or potential conflict of interest should arise, he should fully and immediately disclose the same and should not participate in the decision-making process.

A conflict of interest situation arises when the director's personal or business interest is antagonistic to that of the Company, or that he stands to acquire or gain financial advantage at the expense of the Company.

2.7.2 To devote time and attention necessary to properly discharge his duties and responsibilities. He 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. The non-executive directors of the Board should concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management proposals/views, and oversee the long-term strategy of the Company. Before accepting a directorship in another Company, a director should notify the Board where he is an incumbent director.



2.7.3 To act judiciously. He shall evaluate the issues, ask questions and seek clarifications necessary before deciding on any matter brought before the Board.

2.7.4 To exercise independent judgment. He shall view each problem or situation objectively. Should a disagreement with other directors arise, he should carefully evaluate and explain his position. He should not be afraid to take unpopular positions if he thinks such ideas are beneficial to the Company.

2.7.5 To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its articles of incorporation and by-laws, the requirements of the SEC, and, where applicable, the requirements of other regulatory agencies. He shall also keep himself informed of industry developments and business trends in order to safeguard the Company's competitiveness.

2.7.6 To observe confidentiality. He should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not disclose any information to any other person without the authority of the Board or the Executive Committee.

2.7.7 To ensure the continuing soundness, effectiveness and adequacy of the Company's internal control environment.

2.8 NOMINATION AND ELECTION OF DIRECTORS

2.8.1 The Board of Directors should, as far as practicable, be composed of qualified individuals with diverse backgrounds (gender, age, ethnicity, culture, skills, competence and knowledge) to effectively enable the Board to decide on corporate matters with the benefit of the varied experiences of the board members, and at least a majority should be non-executive directors.

2.8.2 The Company's directors shall be elected at each annual meeting of the stockholders, to serve for a term of one (1) year. Each director shall be eligible for re-election in accordance with the Articles of Incorporation of the Company.

2.8.3 The names of directors submitted for election or re-election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision in respect of their election.

2.8.4 As provided in the Revised Corporate Governance Code of the Philippines and in compliance thereto, at least three (3) of the directors or such number as to constitute at least one-third (1/3) of the members of the Board, shall be Independent Directors. Independent directors may serve for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from re-election as such independent director in the Company. The independent director then, however, may continue to qualify for nomination and election as a non-independent director.

2.8.5 In exceptional cases, however, the Company may retain an independent director who has served for nine (9) years; Provided, that the Company should



provide meritorious justifications therefor and seek stockholders' approval during the annual stockholders' meeting. The nine-year maximum term for independent directors shall be reckoned from 2012, as per SEC Memorandum Circular No. 9 series of 2011 and SEC Memorandum Circular No. 4 series of 2017.

2.8.6 Nomination of directors shall be conducted by the Corporate Governance Committee (CG Com) or such committee of the Board of Directors tasked to review and evaluate nominations for election to the Board of Directors prior to a stockholders' meeting. The CG Com may engage the services of professional search firms or other reputable external sources when searching for candidates for election to the Board of Directors.

2.8.7 To preserve the integrity of the election process, the Corporation may employ the services of a third party to validate the voting results.

2.8.8 All directors shall have access to the advice and services of the Corporate Secretary and, if necessary, shall be able to take independent professional advice in the furtherance of their duties at the Company's expense.

2.8.9. All newly-elected members of the Board of Directors shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute, provided that they have not previously attended such seminar. Such seminar for newly-elected directors should be for at least eight (8) hours, with the following topics sufficiently covered therein: Revised Code of Corporate Governance, ASEAN Corporate Governance Scorecard and SEC Annual Corporate Governance Report, board responsibilities; illegal activities of corporations/directors/officers, insider trading, protection of minority shareholders, short swing transactions, liabilities of directors, confidentiality, conflict of interest, related party transactions, case studies, and financial reporting and audit. Newly-elected directors who have previously attended such seminar and re-elected directors shall be required to annually attend a corporate governance training seminar for at least four (4) hours.

2.9 QUALIFICATIONS OF DIRECTORS

2.9.1 In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code, and other relevant laws, the Nomination Committee may likewise consider the following factors, among others, in determining the fitness of a nominee to the Board:

- 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.



2.10 DISQUALIFICATION OF DIRECTORS

2.10.1 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 SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC 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 SEC 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;

- 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 SEC, 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 SEC or BSP, or any of its rule, regulation or order;
- v. Any person judicially declared to be insolvent;
- vi. 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 (i) to (v) above;

- vii. 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;
- viii. Other grounds as the SEC may provide.

2.11 TEMPORARY DISQUALIFICATION OF DIRECTORS

2.11.1 The Board may also provide for the temporary disqualification or suspension of a director for the following reasons:

- i. 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, serious accident or other unforeseen or fortuitous event. The disqualification shall apply for purposes of the succeeding election.
- ii. Dismissal or termination for cause as director of any corporation covered by the SEC's Code of Corporate Governance. 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.
- iii. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceed two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- iv. 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.

2.12 ADDITIONAL QUALIFICATION FOR INDEPENDENT DIRECTORS

2.12.1 In addition to the foregoing qualifications disqualifications, a director nominated and elected as independent shall likewise meet the following requirements:

- i. He 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. He is not, and has not been in the three (3) years immediately preceding the election, a director of the Company, or a director or officer of its related companies or any of the Company's substantial shareholders and its related



companies except when the same shall be as an independent director of any of the foregoing.

- iii. He has not been appointed in the Company, its subsidiaries, associates, affiliates, or related companies as “Chairman Emeritus”, “Ex-Officio Director/Officer” or member 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. He does not own more than two percent (2%) of the outstanding shares of the Company or of its related companies.
- v. He is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholder. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.
- vi. He is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement.
- vii. He has not been employed in any executive capacity by the Company, any of its related companies, and/or by any of its substantial shareholder within the last five (5) years.
- viii. He is not a securities broker-dealer of listed companies and registered issuer 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.
- ix. He is not retained, either in his personal capacity or through his firm, as a professional adviser, auditor, consultant, agent or counsel by the Company, any of its related companies or any of its substantial shareholders, within the last three (3) years immediately preceding his election. He is independent of Management and free from any business or other relationship with the Company within the same period.
- x. He has not engaged and does not engage in any transaction with the Company, any of its related companies, or any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm’s length and are immaterial.
- xi. He is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders.



xii. He is not employed as an executive officer of another company where any of the Company's executives serve as directors.

2.12.2 For purposes of the foregoing, a "related company" of the Company shall be any of the following: (i) its parent company, (ii) its subsidiaries, or (iii) subsidiaries of its parent company. Also, a "substantial shareholder" shall mean any person who, directly or indirectly, beneficially owns more than ten percent (10%) of any class of security issued by the Company.

2.13 MEETINGS OF THE BOARD

2.13.1 The Board shall meet regularly to determine and monitor the Company's strategy, to review the operations and financial performance of the Company and to consider matters specifically reserved for its approval. Independent views during Board meetings shall be minuted and shall be given due consideration.

2.13.2 Special meetings of the Board of Directors may be called by or at the request of the President or Chairman of the Board, or any four (4) directors.

2.13.3 Presence of 2/3 of the directors is required when determining the quorum of the meeting

2.13.4 Agenda of meetings are provided at least five (5) working days in advance to ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

2.13.5 Non-executive directors shall meet at least once (1) a year without the presence of the executive directors to ensure that proper checks and balances are in place in the Company.

Non-executive directors should have separate regular meetings with the external auditor and head of internal audit, compliance and risk functions of the Company.

2.14 PARTICIPATION IN MEETINGS

The Company's Directors commit to provide time and attention necessary to properly discharge his duties and responsibilities. Directors are expected to 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.

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

2.15 MULTIPLE BOARD SEATS

2.15.1 The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards.



The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations.

2.15.2 As a matter of policy, the Non-Executive members of the Board of Directors should concurrently serve as directors only to a maximum of five (5) publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Company.

2.15.3 A director should notify the Board through the Corporate Governance Committee before accepting a directorship in another publicly-listed company.

2.16 COMPENSATION OF DIRECTORS

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

2.17 BOARD EVALUATION/SELF ASSESSMENT

The Board shall conduct an annual self-assessment of its performance, committees, individual members including the performance of the Chairman, Chief Executive Officer (CEO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO) and Chief Audit Executive (CAE). Every three years, the assessment may be supported by an external facilitator.

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

During the evaluation, directors shall be afforded the opportunity to identify areas for improvement in the performance of their duties and responsibilities. They will then develop concrete action plans and ensure that these are implemented to address identified areas of improvement

2.18 ESTABLISHING BOARD COMMITTEES

2.18.1. THE EXECUTIVE COMMITTEE

2.18.1.1 The Board shall create an Executive Committee by resolution or resolutions passed by a majority of all its members.

2.18.1.2 Members of the Executive Committee, which shall have at least three (3) members, shall be appointed by the Board from among its members.

2.18.1.3 The Executive Committee shall meet regularly or may call for special meetings to exercise all duties delegated to it by the Board.



2.18.1.4 All decisions or actions made by the Executive Committee during regular and special meetings shall be minuted and presented to the Board for ratification.

2.18.1.5 The Board shall have the power to change the members of the Executive Committee at any time, or to fill vacancies therein.

2.18.2 CORPORATE GOVERNANCE COMMITTEE

The Board shall also create, by resolution or resolutions passed by majority of its members, a Corporate Governance Committee, which shall consist of at least three (3) members of the Board, all of whom shall be independent directors. The Corporate Governance Committee shall be responsible for assisting the Board in ensuring compliance with and proper observance of corporate governance principles and practices.

The purposes of the Corporate Governance Committee shall be three-fold:

2.18.2.1 Corporate Governance

To assist the Board of Directors in the performance of its corporate governance responsibilities.

Key Responsibilities Corporate Governance

2.18.2.1.1 Oversee the implementation of the corporate governance framework and periodically review 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.

2.18.2.1.2 Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance. The Committee may engage the services of an external body to facilitate the evaluation of the Board of Directors as a whole, the individual directors, Board Committees, and the President; at least once every three (3) years.

It shall be the responsibility of the Committee to set in place a system for the assessment of the performance of the Board. Pursuant to this duty, the Committee shall provide the criteria and process to determine the performance of the Board, the individual directors, committees and Management. Such system should allow for a feedback mechanism from the shareholders.

2.18.2.1.3 Ensure 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.



2.18.2.1.4 Recommend 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.

2.18.2.1.5 Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance.

2.18.2.1.6 Propose and plan relevant trainings for the members of the Board.

2.18.2.1.7 Unless the Board specifically provides for the creation of a separate unit to handle whistleblowing concerns within the Company, it shall be the duty of the Corporate Governance Committee to set up a suitable whistleblowing framework and a mechanism for employees to report their concerns or allegations of illegal or unethical practices within the Company. The framework shall include the manner of reporting and provision for ensuring confidentiality and protection to the informer.

2.18.2.2 Nomination of Directors/Officers

2.18.2.2.1 To identify individuals qualified to become members of the Board of Directors and, consistent with criteria approved by the Board, recommend that the Board select the Director nominees for the next annual meeting of stockholders.

2.18.2.2.2 To ensure that the Board has an appropriate balance of required industry knowledge, expertise and skills needed to govern the Company towards achieving its intended goals and objectives.

2.18.2.2.3 It shall prescreen and short list all candidates nominated to become a member of the Board of Directors in accordance with the qualifications criteria and grounds for disqualification provided in the Revised Manual on Corporate Governance.

2.18.2.2.4 In consultation with the executive or management committees, review at regular intervals and if so, necessary redefine the role, duties and responsibilities of the Chief Executive Officer and other executive officers of the Company with the aim of maintaining at all times acceptable standards of good governance.

Key Responsibilities - Nomination of Directors/Officers

a) Develop and recommend for approval by the Board a set of



criteria for Board membership. Identify, evaluate and attract qualified individuals to become Directors who satisfy such criteria, which may be done through professional search firms or other similar mechanisms. Make recommendations to the Board regarding candidates for membership on the Board, including the slate of nominees to be proposed by the Board for election by the stockholders at the annual meeting of stockholders and any director nominees to be elected by the Board to fill interim director vacancies. Establish and follow procedures for the recommendation of candidates by the Company's stockholders and the consideration by the Governance Committee of Director candidates so recommended.

- b) To review and evaluate all candidates nominated to Officer positions in the Company that, under the Company's By-Laws, require Board approval prior to effectivity of such Officer appointments or promotions.
- c) The nomination of directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting in accordance with the following:
 - i. All stockholders of record of the Corporation shall be entitled to nominate persons who shall be considered by the Corporate Governance Committee.
 - ii. All nominations should be submitted to the Corporate Governance Committee on or before January 30 of each year to allow the Corporate Governance Committee sufficient time to assess and evaluate the qualifications of the nominees.
 - iii. All recommendations for the nomination of Independent Directors shall be signed by the nominating stockholders. All nominees for directorship shall submit to the Committee their acceptance of the nomination, together with their consent to be elected as such directors.
 - iv. The Committee may engage the services of professional search firms or other reputable external sources when searching for candidates for election to the Board of Directors.
 - v. After pre-screening the nominees, the Committee shall prepare and submit to the Board of Directors its recommended final List of Candidates, which shall contain all the information about all the nominees for election or re-election as members of the Board of



Directors, which list shall be made available to the Securities and Exchange Commission (SEC) and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Corporation will be required to submit to the SEC.

d) The name of the person or group of persons who recommended the nomination of the independent director(s) shall be identified in such report, including any relationship with the nominee.

vi. Only nominees whose names appear on the List of Candidates shall be eligible for election or re-election as directors. No other nominations for election as director shall be entertained after the List of Candidates shall have been prepared and finalized. No further nominations for election as director shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

vii. To preserve the integrity of the election process, the Corporation may employ the services of a third party to validate the voting results.

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- e) Assess the contributions and independence of incumbent Directors in determining whether to recommend them for re-election to the Board at the annual meeting of stockholders.
 - f) Make recommendations to the Board on such matters as the retirement age, tenure and removal of Directors.
 - g) Manage the Board performance review process and review the results with the Board on an annual basis.
 - h) Recommend to the Board candidates for appointment to Board committees and consider periodically rotating Directors among the committees.
 - i) Review directorships in other public or private companies (excluding charitable or non-profit organizations) held by or offered to Directors and executive officers of the Company.
 - j) As a matter of policy, the Non-Executive members of the Board of Directors should concurrently serve as directors only to a maximum of five (5) publicly- listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and



oversee the long-term strategy of the Company.

Towards this end, a director should notify the Board before accepting a directorship in another publicly-listed company.

- k) Review and assess the channels through which the Board receives information and the quality and timeliness of information received.
- l) Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.
- m) In assessing the need to impose further limitations on outside list for individual members of the Board, the Corporate Governance Committee may consider the following guidelines:
 - The nature of the business of the corporations which he is a director;
 - Age, and physical capacity of the director,
- n) The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

On the other hand, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

- o) The Corporate Governance Committee shall be responsible for adopting a policy on succession planning for directors and officers, including, but not limited to setting the retirement age for directors and key officers.

2.18.2.3 Compensation of Directors/Officers/Employees

2.18.2.2.1 Review and, if necessary, establish a formal and transparent policy on executive remuneration and recommend to the shareholders the remuneration of directors.

2.18.2.2.2 The determination of the remuneration of senior management and other key personnel is the responsibility of the Chief Executive Officer. The compensation and remuneration committee should however ensure that compensation levels are



consistent with the Corporation's financial capability as well as reasonable industry standards.

2.18.2.2.3 Cause the development of a form on Full Business Interest Disclosure as part of the pre-employment requirements for all officers, directors, and employees which should require all officers, directors, and employees to declare, under the penalty of perjury, all their existing business interests or shareholdings that may directly or indirectly conflict with their performance of duties to the Corporation. Such Disclosures should be updated at least every year. It should be clear that it is mandatory for officers, directors, and employees even within the yearly reporting period to declare prior to actually investing in or acquiring an interest, being employed or retained in any manner by a competitor or potential competitor.

Key Responsibilities - Compensation of Directors/Officers/Employees

a) Assist Management and the Board in defining an executive compensation policy that (a) attracts, retains and appropriately rewards key executives of the Company, (b) links compensation with achievement of the Company's business objectives and (c) aligns the interests of key executives with the long-term interests of the Company's stockholders.

b) Annually (or bi-annually in the case of bonus amounts) review and approve corporate goals and objectives relevant to the base salary, bonus amount and other compensation of the Chief Executive Officer/President and the Company's other officers.

c) Evaluate the performance of each of the Chief Executive Officer/President and the Company's other officers in light of those goals and objectives, and determine and approve the compensation level, including base salary, bonus amount and other compensation, if any, of each such officer based on this evaluation and other relevant factors. Evaluation of the Chief Executive Officer/President's performance shall be made in consultation with the Governance Committee.

d) Make recommendations to the Board with respect to incentive compensation plans and equity-based plans, including overseeing the development of new compensation plans and the revision of old plans.

e) Administer the Company's incentive compensation and equity-based plans, and approve restricted stock awards, stock option grants and other equity-based or incentive awards under these plans, including any performance criteria relating to these plans or any awards.



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- f) Review the Company's employee benefit plans and either recommend plan changes to the Board or amend such plans, subject to shareholders' approval, if required.
 - g) Recommend to the Board retainer fee for Board matters, other compensation, and attendance fees, including Board committee attendance fees, for non-employee Directors.
 - h) Annually review and discuss with the Company's management the Compensation Disclosure to be included in the Company's annual report and SEC Form 17-A and SEC Form 20-IS.
 - i) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
 - k) Evaluate annually the performance of the Committee and the adequacy of its Charter.
 - l) Perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.

2.18.3 AUDIT COMMITTEE

The Board shall also create, by resolution or resolutions passed by majority of its members, an Audit Committee, which consists of at least three (3) qualified non-executive members of the Board, preferably with accounting or finance background. Majority of the members, including the Chairman, shall be independent directors. Each committee member shall have adequate understanding or competence of the Company's financial management systems and environment, with experience in either accounting, auditing and/or finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

2.18.3.1 The Audit Committee shall carry out the following tasks:

- 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.



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;

- e. 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 audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- f. Review the disposition of the recommendations in the external auditor's management letter;
- g. Organize an internal audit department and consider whether it will be more beneficial for the Company to appoint an Internal Auditor or outsource internal audit services. The Audit Committee shall submit its recommendations to the Board for approval, including the terms and conditions of his 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, and ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders.
- 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:
 - i. Any change/s in accounting policies and practices;
 - ii. Areas where a significant amount of judgment has been exercised;
 - iii. Significant adjustments resulting from the audit;
 - iv. Going concern assumptions;
 - v. Compliance with accounting standards; and
 - vi. 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, 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 corporation's overall consultancy expenses. The 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 corporation's Annual Report and Annual Corporate Governance Report;



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- 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 the Internal Auditor, he shall be free from interference by outside parties.

- n. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations.
- o. Recommend the approval of an Internal Audit Charter which shall formally define the role of Internal Audit and the audit plan, as well as oversee the implementation of the Internal Audit Charter.

2.18.3.2 The Audit Committee shall recommend the appointment, reappointment, removal, and fees of the external auditor for the approval of the Board and ratification of the shareholders. When there is a change or removal of the external auditor, the reason therefor shall be disclosed to the proper regulatory authorities and the public through the proper disclosures and the company website. It shall also be the responsibility of the Audit Committee to assess the integrity and independence of the external auditor, taking into consideration the relevant Philippine professional and regulatory requirements. The Audit Committee shall also annually review and monitor the external auditor's suitability and effectiveness.

2.18.3.3 The Audit Committee shall meet with the Board without the presence of the CEO or other management team members, if warranted, and periodically meet with the head of the internal audit.

2.18.4 BOARD RISK OVERSIGHT COMMITTEE

2.18.4.1 The Board may also create, by resolution or resolutions passed by majority of its members, a Board Risk Oversight Committee, which shall consist of at least three (3) members of the Board, majority of whom, including the Chairman, shall be independent directors. The Chairman of the Board Risk Oversight Committee should not be the Chairman of the Board or of any other committee and at least one (1) member of the Committee must have relevant knowledge and experience on risk and risk management. The Board Risk Oversight Committee shall have the responsibility of assisting the Board in ensuring that there is an effective and integrated risk management system in place.

2.18.4.2 The Board Risk Oversight Committee shall carry out the following tasks:

- a. Oversee the Company's risk management function. The 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 offices or units are addressing and managing these risks.
- b. Develop a formal risk management plan with (1) well-defined risk management goals, objectives and oversight, (2) uniform processes of assessing risks and developing strategies to manage prioritized risks, (3) designing and



implementing risk management strategies, (4) continuing assessments to improve risk strategies, processes and measures.

- c. Design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks. The Committee shall also draft and submit to the Board for approval an enterprise risk management framework to enable the Company to effectively identify, monitor, assess and manage key business risks.
- d. Discuss and review policies with respect to risk assessment and risk management including the company's major financial and business risk exposures and the actions Management has undertaken to control them. The Committee shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness.
- e. Advise the Board by setting the tone and influence the culture of risk management at the Company, which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue, as well as determining what types of risk are acceptable to the Company and which are not.
- f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. The Committee should prioritize the risks that are most likely to occur and to impact the performance and stability of the Company and its stakeholders.
- g. Monitor the management of significant risk to reduce the likelihood of unwelcome surprises.
- h. Satisfy itself that less significant risks are being actively managed with the appropriate controls in place and working effectively.
- i. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. To effectively carry out this function, the Committee shall regularly receive information on risk exposures and risk management activities from Management.
- j. Report to the Board, as necessity dictates, on the Company's material risk exposures, the mitigating actions taken by the Company to reduce the risk, and recommend further action or plan, if needed.
- k. Annually review the Company's risk tolerance limits and approaches to risk management and recommend to the Board changes or improvements to key elements of its processes and procedures.
- l. Review of Business Continuity Plan as and when necessary.
- m. May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.



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- n. Meet separately with the Chief Risk Officer to discuss any matters that the Committee or auditors believe should be discussed privately.
 - o. Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations.
 - p. Provide an open avenue of communication between and among the Chief Risk Officer, the Compliance Officer, and the Board.
 - q. Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by regulators.

2.18.4.3 If in the discretion of the Board, taking into account the needs of the Company, there is a need to appoint an officer to properly supervise the risk management activities of the Company, the Board may appoint a Chief Risk Officer who shall perform the following functions:

- a. supervise the entire Enterprise Risk Management (ERM) process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. communicate the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c. collaborate with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d. suggest ERM policies and related guidance, as may be needed;
- e. provide insight on whether (1) risk management processes are performing as intended, (2) risk measures reported are continuously reviewed by risk owners for effectiveness; and (3) established risk policies and procedures are being complied with; and
- f. make certain that there is clear communication between him and the Board Risk Oversight Committee by periodically reporting to the Board Risk Oversight Committee.

2.18.4 RELATED PARTY TRANSACTION COMMITTEE

2.18.4.1 The Board may also create, by resolution or resolutions passed by majority of its members, a Related Party Transaction Committee, which shall consist of at least three (3) non-executive members of the Board, at least two (2) of whom, including the Chairman, shall be independent directors. The Related Party



Transaction Committee shall be responsible for reviewing all material related party transactions of the Company.

2.18.4.2. The Related Party Transaction Committee shall carry out the following tasks:

- a. Evaluate the existing relations between and among businesses and counterparties to ensure that related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- b. Ensure that related parties, RPTs and changes in relationships are reflected in the relevant reports to the Board and regulators/supervisors. For this purpose, the Committee shall define the duty of directors and officers, including the mechanism therefor, to disclose relationships with related parties.
- c. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms 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 and misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following: (1) the related party's relationship to the Company and interest in the transaction, (2) the material facts of the proposed RPT, including the proposed aggregate value of such transaction, (3) the benefit to the Company of the proposed RPT, (4) the availability of other sources of comparable products or services, and (5) 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 regularly on 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.
- g. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.



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- h. Perform other activities related to this Charter as requested by the Board;
 - i. Review the adequacy of the Committee Charter annually, propose changes, as necessary, and request for Board approval, and ensure appropriate disclosure as may be required by law or regulation; and
 - j. Evaluate the Committee's and individual members' performance on a regular basis.

2.18.4.3 Reporting Responsibilities

- a. Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations.
- b. Management may present material RPTs at regular meetings of the Audit Committee and the Risk Management Committee for their information. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements, quarterly/annual reports to the SEC and the PSE. These financial statements and relevant reports are also available on the corporate website and readily accessible to the public.

2.18.5 THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

2.18.5.1 The Company should have a President and Chief Executive Officer (CEO). At the option of the Board, a person other than the President may be designated CEO, at which instance the President may be designated Chief Operating Officer (COO). The President and CEO positions should both be held by Filipino citizens. Being the principal officers of the Company, the President and CEO shall be a person of outstanding knowledge and integrity. The President and CEO shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, and stockholders.

2.18.5.2 Subject to the control of the Board of Directors, the President and CEO shall:

- a. Supervise and control all of the business and affairs of the Company;
- b. Determine the Company's strategic direction and formulate and implement its strategic plan on the direction of the business.
- c. Communicate and implement the Company's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same.
- d. Manage the human and financial resources in accordance with the strategic plan.
- e. Have a good working knowledge of the Company's industry and market and keep up-to-date with its core business purpose.



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- f. Direct, evaluate and guide the work of the key officers of the Company.
 - g. Manage the Company's resources prudently and ensure a proper balance of the same.
 - h. Provide the Board with timely information and interface between the Board and the employees of the Company. Whenever proper, it shall also be the duty of the President to consult the Company employees, solicit their viewpoint and communicate the same to the Board so the Board can be guided before making key decisions.
 - i. Build the corporate culture and motivate the employees of the Company.
 - j. Serve as the link between internal operations and external stakeholders.
 - k. In the absence of the Chairman or the Vice Chairman of the Board, preside at all meetings of the Board of Directors and stockholders. If the President and CEO positions are not held by one individual, then the CEO shall preside unless absent, in which case the President shall preside;
 - l. Together with other officers designated by the Board, sign all checks, drafts, or other orders with respect to any funds of the Company maintained in any bank, certificates of stock of the Company, any deed, mortgage, bond, contract, or other instrument which the Board of Directors has authorized to be executed;
 - m. Perform all duties incident to the office(s) of the President and CEO, and such other duties as may be prescribed by the Board of Directors from time to time.

2.18.6 THE CORPORATE SECRETARY

2.18.6.1 The Corporate Secretary, who shall be a Filipino citizen and resident, is an officer of the Company. The Corporate Secretary shall not concurrently be a member of the Board or the Compliance Officer of the Company. Perfection in performance and no surprises are expected of him. His loyalty to the mission, vision and specific business objectives of the Company come with his duties.

2.18.6.2 The following shall be the specific duties and responsibilities of the Corporate Secretary:

- a. Assist 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. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its committees, as well as other official records of the Company;
- c. Advise on the establishment of additional board committees and their terms of reference;



d. Work fairly and objectively with the Board, Management, stockholders, and other stakeholders;

e. Have appropriate administrative and interpersonal skills;

f. If he is not at the same time the Company's legal counsel, to be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities, including relevant laws and rules affecting the industry and operations of the Corporation, to be able to effectively advise the Board on all relevant issues as they arise;

g. Have a working knowledge of the operations of the Company;

h. Inform the members of the Board, or of the committees of the Board, as the case may be, in accordance with the By-Laws, of the agenda of their meetings at least five (5) working days in advance, 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;

i. Attend all Board meetings except when justifiable causes, such as illness, death in the immediate family, and serious accidents prevent him from doing so;

j. Ensure that all Board and committee procedures, rules, and regulations are strictly followed by members;

k. Oversee the drafting and amendments of the by-laws and ensure that they conform with regulatory standards;

l. Perform required administrative functions pertaining to his office, as defined in the Company's by-laws and pertinent government regulations.

2.18.7 THE EXTERNAL AUDITOR

2.18.7.1 The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide and perform an objective assurance on the preparation and presentation of financial statements.

2.18.7.2 The Company shall not appoint an external auditor to do the services of an internal auditor. Likewise, other non-audit work provided for the Company by the external auditor should not be in conflict with the functions of the external auditor.

2.18.7.3 The reasons for the resignation, dismissal or cessation from service and the date thereof of the external auditor shall be disclosed in the Company's annual and interim reports. Such report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

2.18.7.4 If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall present his views in said reports.



2.18.7.5 The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.18.8 THE INTERNAL AUDITOR

2.18.8.1 The Company shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of internal audit personnel headed by an Internal Auditor, through which the Board, senior management, and stockholders shall be provided with reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate, and complied with. The Board shall approve and set in place an Internal Audit Charter to guide the Internal Auditor or group's performance of their functions. The Company's internal audit function may, at the discretion of the Board, be outsourced to qualified independent third-party service providers.

2.18.8.2 The internal audit function shall include, among others, the following functions:

- a. Providing an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors and Management;
- b. Performing regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- c. Performing consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performing compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviewing, auditing and assessing the efficiency and effectiveness of the internal control system of all areas of the Company;
- f. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. evaluating specific operations at the request of the Board or Management, as appropriate; and
- h. monitoring and evaluating governance processes.



2.18.8.3 The Internal Auditor, who shall act as the Chief Audit Executive of the Company, shall report directly to the Audit Committee and the CEO. The Internal Auditor shall have the following functions:

- a. oversee and be responsible for the internal audit activities of the organization, including the portion outsourced to a third-party service provider, if applicable. Where the internal audit is a fully outsourced activity, a qualified independent executive or senior management personnel shall be assigned the responsibility of managing the internal audit activity;
- b. periodically review the internal audit charter and present it to senior management and the Audit Committee for approval;
- c. 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;
- d. 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;
- e. spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- f. report periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and

g. present findings and recommendations to the Audit Committee and give advice to senior management and the Board on how to improve internal processes.

2.18.8.4 The minimum internal control mechanisms for management's operational responsibility shall center on the President, being ultimately accountable for the Company's organizational and procedural control.

2.18.8.5 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

2.18.8.6 The system of internal control shall be designed to manage, rather than eliminate, the risk of failure to achieve business targets and objectives and shall provide reasonable, although not absolute assurance against material misstatement or loss.

2.18.8.7 The Internal Auditor shall report to the Audit Committee. However, direction may be provided by the President and/or Head of the Finance Division, with respect to internal coordination with other Divisions of the Company.



PART III – COMMITMENT TO CORPORATE GOVERNANCE

3.1. This manual shall be available for inspection by any stockholder of the Company during office hours.

3.2. All directors, executives, division and department heads are tasked to ensure thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

3.3. The Compliance Officer shall be responsible for circulating a copy of this Manual to all Division heads.

3.4. The Corporate Governance Committee, through the Compliance Officer, shall be responsible for coordinating with all Divisions to ensure that this manual is operational.

3.5. As part of the Corporation's commitment to good corporate governance, all directors and key officers of the Corporation, including, but not limited to the Corporate Secretary, Internal Auditor, and Compliance Officer, shall undergo annual training on corporate governance, which training should be for at least four (4) hours. All newly-elected directors and key officers shall be required to a seminar on corporate governance, which seminar should be for at least eight (8) hours, with the following topics sufficiently covered therein: Revised Code of Corporate Governance, ASEAN Corporate Governance Scorecard and SEC Annual Corporate Governance Report, board responsibilities; illegal activities of corporations/directors/officers, insider trading, protection of minority shareholders, short swing transactions, liabilities of directors, confidentiality, conflict of interest, related party transactions, case studies, and financial reporting and audit. Newly-elected directors and key officers who have previously attended such seminar shall only be required to undergo the annual corporate governance training which should be for at least four (4) hours.

PART IV – REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

4.1. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the respective committee through the Compliance Officer or the Corporate Governance Committee.

4.2. The Board shall commit at all times to fully disclose material information relative to the Company. It shall cause the filing of all required information with the proper regulatory authorities, with such report being comprehensive, accurate, reliable and timely. The Board shall ensure that such disclosures will give shareholders and other stakeholders a fair and complete picture of the Company's financial condition, results and business operations. The Board shall, when appropriate, consider using media and analyst's briefings as channels of communication to ensure the timely and accurate dissemination of public, material, and relevant information to its shareholders and stakeholders.



4.3. The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that affects the Company. All material information that, in the judgment of the Board or the Company's management, could potentially affect share price in a significant manner, shall be publicly disclosed, so long as such disclosure does not violate regulations of the SEC, the Philippine Stock Exchange ("PSE") or any governmental body, nor any legal or binding agreement. Such information shall include but shall not be limited to earnings results, acquisition or disposal of significant assets, board changes, material related party transactions, shareholdings of directors and change of ownership. In the case of an acquisition or disposal of significant asset/s by the Company, the Company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of asset/s.

4.4. All disclosed information shall be released via the approved PSE procedure for company announcements, as well as through the annual report.

PART V – STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

The Board shall be committed to respect the following rights of the stockholders:

5.1. VOTING RIGHT

5.1.1. Shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.

5.1.2. Election of Directors shall take place during the Annual Stockholders' Meeting of the Company. As mandated by the Corporation Code, cumulative voting shall be used in the election of directors. In voting upon any matter subject to shareholders' approval during the annual or special stockholders' meeting, poll voting shall be encouraged. The Company shall also make it easy for shareholders to exercise proxy voting by making available in its website the relevant proxy materials. In the interest of transparency, the Company shall make the results of the votes taken during the most recent annual or special shareholders' meeting publicly available in the Company website the next working day. Minutes of such annual or special shareholders' meeting shall be posted on the Company website within five (5) business days from the date of the meeting.

5.1.3. The Board shall be transparent and fair in the conduct of the meetings of the shareholders. The shareholders shall be encouraged to personally attend such meetings, and informed that if they cannot attend, they shall have the right to appoint a proxy. Subject to the requirements of the By-Laws, the right to designate a proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in favor of the shareholder.

5.1.4. Although directors may be removed with or without cause, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.



5.1.5. The Company shall encourage active shareholder participation in the Annual Stockholders' Meeting by sending to the Company shareholders the notice therefor at least twenty-eight (28) days before the meeting and posting said notice in the Company website.

5.2. POWER OF INSPECTION

5.2.1. The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.

5.2.2. Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.

5.3. RIGHT TO INFORMATION

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

Towards this end, the Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of its shareholders and other stakeholders shall be publicly and timely disclosed. Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, remuneration of directors and Management; all of which shall be disclosed through established disclosure procedures of the stock exchange and of the SEC.

5.3.2. Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the compensation of directors and officers, including termination and retirement provisions. To make certain that the information on the shareholdings of directors and officers are updated, all directors and key officers shall be required to report to the Company any dealings in the Company's shares within three (3) business days.

5.3.3. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

5.3.4. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include in such information. If not included, the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

5.3.5. The Board shall appoint an Investor Relations Officer (IRO) who shall ensure Company's constant engagement with its shareholders and stakeholders. The IRO shall be present at every shareholders' meeting and shall have a designated email



and telephone number to make certain that he can properly address the request of shareholders and other stakeholders for information on the activities of the Company.

5.4. RIGHT TO DIVIDENDS

5.4.1. Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.

5.4.2. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:

- a. When justified by definite corporate expansion projects or programs approved by the Board;
- b. When the Company is prohibited from declaring dividends under any loan agreement with any financial institution or creditor, whether local or foreign, without its consent, and such consent has not been secured;
- c. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

5.5. APPRAISAL RIGHT

5.5.1. The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:

- a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. 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;
- c. In case of merger or consolidation.

The appraisal right may be exercised by any stockholder by making a written demand on the Corporation within thirty (30) days, for payment of the fair value of his shares.

5.6. PROMOTION OF SHAREHOLDERS' RIGHTS

5.6.1. It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in



meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.

5.6.2. In any intra-corporate dispute involving the Company and upon the request of the involved shareholder, the Board shall consider submitting the same for alternative dispute resolution to arbitration centers such as the Philippine Dispute Resolution Center (PDRC).

PART VI – MONITORING AND ASSESSMENT

6.1. Each Committee shall report directly to the Board of Directors.

6.2. The Corporate Governance Committee shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officers, or employees to the penalty provided under Part VII of this Manual.

6.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such form or report that is applicable to the Corporation. The adoption of such performance evaluation system shall be covered by a Board approval.

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

6.5. All business processes and practices being performed within any division of the Company that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

PART VII – PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

7.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- a. In case of **first violation**, the subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that results in any notable financial loss for the Company shall be at least reprimanded or suspended.
- b. A **second violation** may require suspension depending on the gravity of the violation.
- c. For the **third violation**, the maximum penalty of removal from office may be imposed. When removed, the subject directors, officers, or staff of the Company or its subsidiaries and affiliates, shall not be granted additional benefits except those required by law.



7.2. The Corporate Governance Committee shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Adopted on 25 April 2022.

Signatures:



WILLY N. OCIER
Chairman of the Board



GRACE L. GATDULA
Compliance Officer

