



SAN MIGUEL BREWERY INC.

A Subsidiary of San Miguel Corporation

June 29, 2020

SECURITIES AND EXCHANGE COMMISSION

Corporate Governance and Finance Department
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City 1307

Gentlemen:

Pursuant to SEC Memorandum Circular No. 24 series of 2019, San Miguel Brewery Inc. submits its amended Manual on Corporate Governance.

Very truly yours,

Rosabel T. Balan

Compliance Officer and Corporate Secretary

Jessica L. Abrenica

Assistant Corporate Secretary

**SAN MIGUEL BREWERY INC.
MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors, Management, Officers and employees of **San Miguel Brewery Inc.** (the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance ("Manual"), and acknowledge that the same shall guide the attainment of their corporate goals.

1 OBJECTIVE

This Manual shall institutionalize the principles, policies, programs and procedures of good corporate governance in the entire organization of the Corporation.

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

2 COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To insure adherence to corporate principles and best practices, the Board of Directors shall appoint a Compliance Officer who shall hold the position of a Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer should not be a member of the Board of Directors, and shall be primarily responsible to the Corporation and its shareholders but shall have direct reporting responsibilities to the Chairman of the Board. He shall annually attend a training on corporate governance.

2.1.2. The Compliance Officer shall perform the following duties:

- a. Monitor, review, evaluate and ensure the compliance by the Corporation, Officers and directors with the provisions and requirements of this Manual, the Code of Corporate Governance issued by the Securities and Exchange Commission ("SEC") and the relevant laws, rules, regulations and governance issuances of regulatory agencies;
- b. Appear before the SEC upon summons on relevant matters that need to be clarified by the same, including matters in relation to compliance with this Manual and the SEC Code of Corporate Governance;
- c. Determine and report to the Board violation/s of the Manual; and recommend the appropriate disciplinary actions for such violations for further review and approval of the Board;
- d. Ensure the integrity and accuracy of all documentary submissions to regulators;

- e. Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
- f. Collaborate with other functions of the Corporation to properly address compliance issues, which may be subject to investigation;
- g. Ensure the attendance of Board members and key Officers to relevant corporate governance trainings;
- h. Attest on the extent of the Corporation's compliance with this Manual and the SEC Code of Corporate Governance together with the Chairman, explaining the reason/s for the deviation from the same, in each case where necessary or required by applicable laws, rules and regulations;
- i. Identify, monitor and control compliance risks, including through identifying possible areas of compliance issues and working towards the resolution of the same; and
- j. Perform such other duties and responsibilities as may be required by the SEC.

2.1.3. 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 the Compliance Officer.

2.2. Plan of Compliance

2.2.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors. The Corporation shall be headed by a competent, working Board of Directors.

The members of the Board of Directors shall not be less than five (5) but not more than fifteen (15), and shall be elected in accordance with the Corporation's by-laws and applicable laws. The Board shall be headed by a competent and qualified Chairman of the Board.

The membership of the Board of Directors, shall have a collective working knowledge, experience or expertise relevant to the Corporation's business and industry. The Board of Directors shall ensure that it has the appropriate mix of competence and expertise, and that its members remain qualified, individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the Corporation based on the evolving business environment and strategic direction. Majority of the Board of Directors should be non-executive directors who shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board, help secure objective independent judgment on corporate affairs, and strengthen proper checks and balances.

The Corporation recognizes that a diverse Board of Directors, with the appropriate qualifications and broad range of expertise relevant to its business, is an essential element in maintaining a competitive advantage in the complex business industry that it operates. It embraces the policy that including and making use of increasing diversity at the Board level, which consists of differences in the skills, experience, background, race, gender and other distinctions amongst Directors, is important to achieve effective corporate governance and sustained commercial success of the Corporation. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

2.2.1.1. General Responsibility

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and growth in a manner consistent with its fiduciary responsibility, corporate objectives and the long-term best interests of the Corporation's shareholders and other stakeholders. The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Corporation's articles of incorporation and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders and other stakeholders.

The Board is responsible for the formulation and approval of the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor and assess Management's performance; and shall oversee its development and monitor its implementation towards sustaining the Corporation's long-term viability and strength.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. It is duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

A director's office is one of trust and confidence. He shall act on a fully informed basis, in good faith, with due diligence and care, and in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation and all its shareholders and other stakeholders. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

2.2.1.2. Specific Duties and Functions

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall:

- a. Implement a process of selection aligned with the strategic direction of the Corporation to ensure a mix of competent directors and Officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;

- b. Appoint competent, professional, honest and highly-motivated Management and Officers, and adopt an effective succession planning program for directors, Management and key Officers, which includes adopting a retirement policy for directors and key Officers;
- c. Align the remuneration of key Officers and Board members with the long-term interests of the Corporation, through, among others, the formulation and adoption of a policy specifying the relationship between remuneration and performance. No director shall participate in the determination of his own per diem or remuneration;
- d. Provide sound strategic policies and guidelines on major capital expenditures and other programs to sustain the Corporation's long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies;
- e. Ensure that the Corporation complies with all relevant laws, regulations and best business practices;
- f. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate corporate disclosure policies and procedures to ensure comprehensive, accurate, timely, and effective communication to the Corporation's shareholders and other stakeholders, as well as agencies regulating the Corporation, in a manner that gives a fair and complete picture of the Corporation's financial condition, results and business operations;
- g. Establish and maintain an effective investor relations program that will keep the Corporation's shareholders and stakeholders informed of important developments in the Corporation. If feasible, the Corporation's Chief Finance Officer shall exercise oversight responsibility over this program;
- h. Adopt a system of internal checks and balances, and review regularly the effectiveness thereof;
- i. Adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings; and ensure the proper and efficient implementation and monitoring of the same and other internal policies. The Code of Business Conduct and Ethics should be properly disseminated to the Board, Senior Management and employees, and made available to the public through the Corporation's official website;
- j. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- k. Provide stockholders with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a

quarterly basis, including interim and other reports on matters that could adversely affect its business, as well as reports to regulators that are required by law;

- l. Properly discharge Board functions by meeting regularly or at such times and frequency as may be needed. Independent views during Board meetings shall be given due consideration. All such meetings shall be duly minuted;
- m. Formulate and implement policies and procedures that would ensure the integrity and transparency of (i) interlocking director relationships by members of the Board; (ii) related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, Officers and directors, including their spouses, children and dependent siblings and parents; and (iii) other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. Such policies and procedures should include the appropriate review and approval of material or significant related party transactions, which guarantee fairness and transparency of the transactions, and shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations;
- n. Keep Board authority within the powers of the institution as prescribed in the articles of incorporation, by-laws and in existing laws, rules and regulations;
- o. Encourage use of alternative modes of dispute resolution that can amicably settle conflicts or differences between the Corporation and its shareholders or third parties, including regulatory agencies;
- p. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities; and
- q. Appoint a Compliance Officer as provided in Section 2.1 of this Manual. In the absence of an appointment by the Board, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

2.2.1.3. Internal Control and Enterprise Risk Management

2.2.1.3.1. Internal Control Responsibilities of the Board

The Board shall have the following oversight responsibilities for ensuring the presence of adequate, appropriate, strong and effective internal control mechanisms:

- a. Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Corporation and its culture, volume, size and complexity

of transactions; degree of risks involved, degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance;

- b. Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts;
- c. Select and appoint a Chief Executive Officer who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Governance and Nomination Committee, the duties and responsibilities of the Chief Executive Officer who is ultimately responsible for the Corporation's organizational and operational controls;
- d. Evaluate proposed senior Management appointments;
- e. Select and appoint qualified and competent Management Officers, including the Compliance Officer;
- f. Establish a mechanism for monitoring and managing potential/actual conflicts of interest of Management, Board members and shareholders;
- g. Approve and adopt the Corporation's Internal Audit Charter;
- h. Review the Corporation's human resources policies, conflict of interest situations, compensation program for employees, and Management succession plan;
- i. Establish an effective performance evaluation framework that will ensure that Management's, including the Chief Executive Officer, and employees' performance are at par with the standards set by the Board and Senior Management; and
- j. Where not covered in this Manual, approve a Board Charter that formalizes and clearly states the roles, responsibilities and accountabilities of the Board of Directors in carrying out its fiduciary duties. The Board Charter, together with this Manual, shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Corporation's website.

2.2.1.3.2. Enterprise Risk Management

The Board shall oversee that a sound enterprise risk management ("ERM") framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Corporation's ERM function that will identify, assess and monitor key risk exposures shall be integrated with the Finance function of the Corporation.

2.2.1.3.2.1. The ERM function involves the following activities, among others:

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

2.2.1.3.2.2. In managing the Corporation's ERM system, the Corporation shall have a Chief Risk Officer, who will be the ultimate champion of ERM and has adequate authority, stature, resources and support to fulfill his responsibilities. The Chief Risk Officer shall have the following functions, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and

continuous improvement of ERM processes and documentation;

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

2.2.1.4. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation. A director with a material interest in any transaction affecting the Corporation should fully disclose his adverse interest, abstain from taking part in the deliberations for the same, and recuse from voting on the approval of such transaction;
- b. To devote time and attention necessary to properly and effectively discharge his duties and responsibilities, including sufficient time to be familiar with the Corporation's business and operations;
- c. To act judiciously;
- d. To exercise objective and independent judgment on all corporate affairs;
- e. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its articles of incorporation and by-laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies, and keep abreast of industry developments and business trends;

- f. To observe confidentiality of all non-public information which he may acquire or learn by reason of his position as a director;
- g. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
- h. To attend a seminar or program on corporate governance at least once a year, which seminar or program shall be conducted by duly accredited training providers of the SEC, where such accreditation is required.

2.2.1.5. Qualification and Disqualification of Directors

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 members of the Board of Directors shall have the following qualifications:

2.2.1.5.1. Qualifications

- a. He shall hold at least five thousand (5,000) shares of stock of the Corporation;
- b. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- c. He shall be at least twenty one (21) years old;
- d. He shall have proven to possess integrity and probity; and
- e. He shall be assiduous.

2.2.1.5.2. Disqualifications

Any of the following shall be a ground for permanent disqualification of a director of the Corporation:

- a. 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;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, the Bangko Sentral ng Pilipinas ("BSP") or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal,

distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (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 both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if (a) such person is currently the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC, BSP, or under any rule or regulation issued by the SEC or BSP; (b) such person has otherwise been restrained from engaging in any activity involving securities and banking; or (c) 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;

- c. Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;
- d. Any person who has been adjudged by final judgment or order of the SEC, BSP or a competent court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;
- e. 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 listed in the foregoing paragraphs;
- f. Any person judicially declared to be insolvent;
- g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- h. Other grounds as the SEC may provide pursuant to the provisions of the Corporation Code, Securities Regulation Code and other related laws.

Any of the following shall be a ground for the temporary disqualification of a director:

- a. Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- b. Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- c. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that give rise to his dismissal or termination;
- d. If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- e. If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and
- f. If any person earlier elected as Independent Director of the Corporation becomes an Officer, employee or consultant of the Corporation.

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, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director only upon fulfillment of the qualifications under Section 2.2.1.6.

2.2.1.6. Independent Directors

An Independent Director is a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could, or could reasonably be perceived to, materially interfere with the

exercise of his independent judgment in carrying out his responsibilities as a director.

The Independent Directors shall possess a good general understanding of the industry that the Corporation engages in, as well as the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board. Accordingly, the Corporation shall have an Independent Director who:-

- a. Is not, or has not been, a senior officer or employee of the Corporation, unless there has been a change in the controlling ownership of the Corporation;
- b. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates or related companies;
- c. Is not a relative of a director, Officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- d. Is not, and has not been in the three (3) years immediately preceding the election, (i) a director of the Corporation; (ii) a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or (iii) a director, officer, employee of the Corporation's substantial shareholders and its related companies;
- e. Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- f. Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors;
- g. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, or any of its related companies or substantial shareholders, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- h. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arms' length and could not materially interfere with or influence the exercise of his independent judgment;

- i. Has not been appointed in the Corporation, 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;
- j. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to any exchange, an associated person or salesman, and an authorized clerk of the broker or dealer; and
- k. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders.

Related companies, as used in this section, refer to (i) the Corporation's holding or parent company; (ii) its subsidiaries; and (iii) subsidiaries of its holding or parent company.

The Board shall ensure that its Independent Directors possess the necessary qualifications and none of the disqualifications under this Manual, the Securities Regulation Code and other applicable laws, rules and regulations for them to hold such position.

An Independent Director shall submit to the Corporate Secretary a certification in the form and substance required by the SEC or applicable law, rule or regulation, confirming that he possesses all the qualifications and none of the disqualifications of an Independent Director under this Manual, the Securities Regulation Code and other applicable laws, rules and regulations prior to his election and/or re-election as an Independent Director.

The Corporation shall have at least two (2) Independent Directors or such number of Independent Directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

An Independent Director shall serve for a maximum cumulative term of nine (9) years in the Corporation. Upon reaching this limit, an Independent Director should be perpetually barred from re-election as such in the Corporation, but he may continue to qualify for nomination and election as a non-independent director. The Board shall provide meritorious justification and seek shareholders' approval during the annual shareholders' meeting in the event that the Corporation needs to retain

any Independent Director who has served for nine (9) years as Independent Director beyond the said maximum cumulative term.

2.2.1.7. Meetings and Quorum Requirements

The members of the Board should attend and actively participate in all regular and special meetings of the Board, Board Committees and shareholders, in person or through other means as may be allowed by the SEC, such as teleconference or videoconference, and in accordance with, the rules and regulations of the SEC, except when justifiable causes prevent them from doing so. The directors should review meeting materials, and, where called for, ask the necessary questions or seek clarifications and explanations.

Independent Directors should always attend Board meetings. Absence of Independent Directors in Board meetings shall not affect the quorum requirement, unless otherwise provided in the by-laws of the Corporation and applicable laws, rules and regulations. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

The non-executive directors, on the other hand, shall have separate periodic meetings with the External Auditor, Internal Audit Group Manager, Compliance Officer and Chief Risk Officer without any executive director present to ensure that proper checks and balances are in place within the Corporation. The meetings should be chaired by the Lead Independent Director.

2.2.1.8. Adequate and Timely Information

Management shall provide the Board with complete, adequate and timely information about the matters to be taken during their meetings and information that would enable the Board to comply with its responsibilities to the stockholders.

Upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable.

The members of the Board shall be given independent access to Management and the Corporate Secretary.

2.2.1.9. Policy on Multiple Board Seats

A director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised. A director should notify the Board,

through the Corporate Secretary, before accepting a directorship in another company.

In accordance with the guidelines set by the Governance and Nomination Committee on the number of directorships which a member of the Board may hold pursuant to the foregoing policy, 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.

2.2.2. Board Committees

The Board shall constitute Board Committees to aid in the optimal performance of its roles and responsibilities, with due regard to the Corporation's size, risk profile and complexity of operations. The Board Committees shall focus on and support specific Board functions, in particular those with respect to audit, risk management, related party transactions, corporate governance, nomination and remuneration.

Each Board Committee shall have a Committee Charter, which shall contain its composition, memberships, purposes, functions, responsibilities, structures, operations, reporting, processes, resources, standards for evaluation of its performance, and such other relevant information. The Committee Charters shall be made publicly available through their full disclosure on the Corporation's official website.

The Board Committees shall regularly report to the Board.

2.2.2.1. Governance and Nomination Committee

2.2.2.1.1. The Board shall create a Governance and Nomination Committee that is tasked to assist the Board in the performance of its corporate governance responsibilities, and in the nomination, election and replacement of directors and Senior Management Officers. The Governance and Nomination Committee shall have at least three (3) voting directors (majority of whom must be Independent Directors). The Chairman of the Governance and Nomination Committee shall be an Independent Director.

2.2.2.1.2 Duties and Responsibilities

- a. Assist the Board in the performance of its oversight responsibilities in the development and implementation of the corporate governance framework, which shall set out the corporate governance principles, policies, structures, processes and systems of the Corporation, and in ensuring its adequacy, appropriateness and effectiveness in light of material changes to the Corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments,

including the evaluation and measure of the Corporation's compliance with this Manual;

- b. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- c. Oversee the periodic assessment and evaluation of the performance of the Board of Directors, members of the Board and Board Committees, including the establishment and implementation of systems and mechanisms therefor, and for this purpose, it shall ensure that the results of the Board evaluation are shared and discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement. The Governance and Nomination Committee shall also conduct an annual self-evaluation of its performance;
- d. Determine the processes and procedure for the nomination, election and replacement of directors of the Corporation, including the pre-screening and shortlisting by the Governance and Nomination Committee of all candidates nominated to become a member of the Board of Directors, and defining the general profile of Board members that the Corporation may need so that the appropriate knowledge, competencies and expertise that complement the existing skills of the Board are duly considered. It shall ensure that such processes and procedures are in accordance with this Manual, the Corporation's by-laws, the Corporation Code, the Securities Regulation Code, and applicable laws, rules and regulations. The Governance and Nomination Committee shall assess the effectiveness of the procedures and processes on the nomination, election and replacement of directors;
- e. Recommend continuing education or training programs for directors, assignment of tasks or projects to Board Committees, and succession plan for directors and Senior Officers;
- f. In consultation with the appropriate executive or Management committee/s and with the supervision of the Board of Directors, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times; and
- g. Consider the following guidelines in the determination of the number of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats under this Manual:

- The nature of the business of the corporations which he is a director;
 - Age of the director;
 - Number of directorships/active memberships and officerships in other corporations or organizations; and
 - Possible conflict of interest.
- h. Propose and plan relevant trainings for the members of the Board.

2.2.2.2. Executive Compensation Committee

2.2.2.2.1. The Executive Compensation Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director.

2.2.2.2.2. Duties and Responsibilities

- a. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate Officers and directors, and provide oversight over remuneration of senior Management and other key personnel, ensuring that compensation is consistent with the Corporation's long-term interests, culture, strategy, and the control and business environment it operates;
- b. Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and Officers who are needed to run the Corporation successfully, with due consideration to the performance of the Corporation;
- c. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming Officers, which among others, compel all Officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- d. Disallow any director to decide his or her own remuneration;
- e. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and senior executive Officers for the previous fiscal year and the ensuing year;
- f. Review the existing Human Resources Development or Personnel Handbook (if any) to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of

personnel concerned with all statutory requirements that must be periodically met in their respective posts; and

- g. In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.2.2.3. Audit Committee

2.2.2.3.1. The Board shall establish an Audit Committee which shall (i) be responsible for overseeing the establishment and maintenance of an adequate, effective and efficient internal control framework, that shall consist of systems and processes designed to provide assurance relating to financial reporting, internal policies, internal and external audit processes, compliance with applicable laws and regulations, and safeguarding of assets; (ii) assist the Board in ensuring the functionality and effectiveness of the Corporation's ERM system; and (iii) review the Corporation's material related party transactions.

The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive members of the Board, at least two (2) of whom shall be Independent Directors. All the members shall have the relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance; and at least one (1) member shall have relevant thorough knowledge and experience on risk and risk management. Each member shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment. The Chairman of the Audit Committee shall be an Independent Director and should not be the Chairman of the Board or a chairman of any other Board Committees.

2.2.2.3.2. Duties and Responsibilities

2.2.2.3.2.1. In respect of the Corporation's internal control framework:-

- a. Assist the Board in the performance of its oversight responsibility for financial reports and financial reporting process, internal control system, audit process and in coordinating, monitoring and facilitating compliance with internal financial management standards, pertinent accounting standards, and legal and regulatory requirements under applicable laws, rules and regulations;
- b. Prior to the commencement of the audit, discuss with the External Auditor and review all audit plans, nature, scope and audit resources/expenses, and ensure proper coordination if more than one (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

- c. Perform oversight functions with respect to the Internal Audit function and the External Auditors of the Corporation, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Corporation necessary to enable them to perform their respective audit functions; and review the reports submitted by them;
- d. Approve the terms and conditions for outsourcing internal audit services;
- e. Recommend the approval the Internal Audit Charter, which formally defines the role of the Internal Audit function, and the audit plan, as well as oversee the implementation of the Internal Audit Charter;
- f. Review and monitor Management's responsiveness to the Internal Audit Group Manager's findings and recommendations;
- g. Evaluate and determine any non-audit work performed by External Auditors, including the fees therefor, with due consideration to the total fees paid to such External Auditors and the Corporation's overall consultancy expenses, and be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the External Auditor's objectivity and independence. The Audit Committee shall disallow any non-audit work that will conflict with its duties as External Auditor or threaten its independence;
- h. Establish and identify the reporting line of the Internal Audit Group Manager;
- i. Recommend to the Board the appointment, re-appointment, removal and fees of the External Auditor duly accredited by the SEC, which recommendation shall be approved by the Board of Directors and ratified by the shareholders. The Audit Committee shall have a robust process for the approval and recommendation of the appointment, re-appointment, removal and fees of the External Auditor;
- j. Assess the integrity and independence of the External Auditor and exercise effective oversight to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements, as well as review and monitor the External Auditor's suitability and effectiveness on an annual basis;

- k. Through the Internal Audit Group, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including the integrity of financial reporting and security of physical and information assets, by, among others, ensuring that well-designed internal control procedures and processes that provide a system of checks and balances are in place in order to safeguard the Corporation's resources and guarantee their effective utilization, prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the Corporation's financial data, and ensure compliance with applicable laws and regulations;
- l. Review and approve all interim and annual financial statements before submission to the Board, with particular focus on the following:
- changes in accounting policies and practices;
 - areas where significant amount of judgement has been exercised;
 - significant adjustments resulting from audit;
 - going concern assumptions;
 - compliance with accounting standards; and
 - compliance with tax, legal and regulatory requirements;
- m. Review the disposition of the recommendations in the External Auditor's management letter;
- n. Ensure that the accounting and auditing processes, practices and methods of the Corporation comply with Philippine and internationally-accepted standards;
- o. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization; and
- p. Supervise Management in Management's formulation of rules and procedures on financial reporting and internal controls in accordance with the following and such other guidelines as may be determined by the Board:
- The extent of Management's responsibility in the preparation of financial statements of the Corporation and the delineation of the responsibilities pertaining to the External Auditor must be clearly set out.
 - The system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders.

- The scope of the internal audit examinations based on approved audit plans should include, at the minimum, evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts, laws, rules and regulations.
- There should be consistent compliance with SEC's financial reporting requirements.

2.2.2.3.2.2. In respect of the Corporation's ERM system:-

- a. Develop a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b. Oversee the implementation of the ERM plan; conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports; and assess how the concerned units or offices are addressing and managing these risks;
- c. Evaluate the ERM plan to ensure its continued relevance, comprehensiveness and effectiveness, which involves: (i) revisiting defined risk management strategies, (ii) looking for emerging or changing material exposures, and (iii) staying abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advise the Board on the Corporation's risk appetite levels and risk tolerance limits;
- e. Review, at least annually, the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, and the external economic and business environment; and when major events occur that are considered to have major impacts on the Corporation;
- f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders;

- g. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

2.2.2.3.2.3. In respect of the Corporation's related party transactions:-

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified; related party transactions are monitored; and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. Related parties, related party transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- b. Evaluate all material related party transactions to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Corporation are misappropriated or misapplied;
- c. Determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating related party transactions, the Audit Committee shall take into account, among others, the following:
 - The related party's relationship to the Corporation and interest in the transaction;
 - The material facts of the proposed related party transactions, including the proposed aggregate value of such transaction;
 - The benefits to the Corporation of the proposed related party transaction;
 - The availability of other sources of comparable products or services; and
 - An assessment of whether the proposed related party transaction is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery

system in place and exercise due diligence in determining a fair price for related party transactions;

- d. Ensure that appropriate disclosure is made, and/or appropriate information is provided to regulatory and supervising authorities relating to the Corporation's related party transaction exposures, and policies on conflicts of interest or potential conflicts of interest, in accordance with applicable laws, rules and regulations. 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 Corporation's affiliation or transactions with other related parties;
- e. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- f. Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and
- g. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related party transactions, including a periodic review of related party transaction policies and procedures.

2.2.3. The Chairman of the Board and the Chief Executive Officer

2.2.3.1. The roles of the Chairman of the Board and the Chief Executive Officer, who is the President in the case of the Corporation, are separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. The functions of the Chairman of the Board and the Chief Executive Officer are clearly defined.

In addition to his responsibilities as Chairman of the Board under the by-laws of the Corporation, the Chairman of the Board shall have the following functions:

- a. Ensure that the meetings of the Board are held in accordance with an approved annual schedule and the by-laws of the Corporation or as the Chairman may deem necessary;
- b. Supervise the preparation of the agenda of the Board meeting in coordination with the Corporate Secretary, taking into account the suggestions of the Chief Executive Officer, Management and directors; and ascertain that such agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key

governance concerns, and contentious issues that will significantly affect operations;

- c. Guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- d. Preside at the meetings of the directors and shareholders;
- e. Facilitate discussions 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 challenges and inquires on reports submitted and representations made by Management;
- g. Assist in ensuring compliance with corporate governance guidelines, and attest on the extent of the Corporation's compliance with this Manual and the SEC Code of Corporate Governance together with the Compliance Officer, where necessary or required by applicable laws, rules and regulations;
- h. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
- i. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and
- j. Maintain quality and timely lines of communication and flow of information between Management and the Board in coordination with the Corporate Secretary and Chief Executive Officer.

The Chairman shall have such other responsibilities as the Board of Directors may assign to him.

2.2.3.2. The Chief Executive Officer shall have, among others, the following functions:

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

- d. Ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control;
- e. Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- f. Oversee the preparation of the budgets and the statements of accounts of the Corporation;
- g. Direct, evaluate and guide the work of the key Officers of the Corporation;
- h. Manage the Corporation's resources prudently and ensure a proper balance of the same;
- i. Be ultimately accountable for the Corporation's organizational and procedural controls, as the minimum internal control mechanisms for Management's operational responsibility shall center on the Chief Executive Officer;
- j. Provide the Board with timely information and interface between the Board and the employees;
- k. Build the corporate culture and motivate the employees of the Corporation;
- l. Serve as the link between internal operations and external stakeholders; and
- m. Prepare such statements and reports of the Corporation as may be required of him by law.

The Chief Executive Officer shall perform such other duties as are incidental to his office or are entrusted to him by the Board.

2.2.3.3. Where the Chairman of the Board is not an Independent Director, or where the Chairman and the Chief Executive Officer are one person, the Board of Directors shall additionally designate a Lead Independent Director from the Independent Directors to further strengthen the expression and advocacy of independent views and perspectives, and avoid potential conflicts of interest. The Lead Independent Director shall have sufficient authority to lead the Board in cases where Management has clear conflicts of interest.

The Lead Independent Director shall have, among others, the following functions:

- a. Serve as an intermediary between the Chairman and the other directors when necessary;
- b. Convene and chair meetings of the non-executive directors; and

- c. Contribute to the performance evaluation of the Chairman, as required.

The Lead Independent Director shall perform such other responsibilities as the Board of Directors may assign to him.

2.2.4. The Corporate Secretary

2.2.4.1. The Corporate Secretary is an Officer of the Corporation and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the Corporation come with his duties. The Corporate Secretary is primarily responsible to the Corporation and to its shareholders and should not be a member of the Board of Directors. He should annually attend a training on corporate governance.

2.2.4.2. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.

2.2.4.3. Considering his varied functions and duties, he must possess appropriate administrative and interpersonal skills, and if he is not at the same time the general counsel or chief legal officer, then he must have the legal skills of a general counsel or chief legal officer. He must also have some financial and accounting skills.

2.2.4.4. Duties and Responsibilities

- a. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- b. Assist the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule of Board and Board Committee meetings and the annual Board calendar, and put the Board on notice of such schedule before every meeting; assisting the chairs of the Board and its Board Committees to set agendas for those meetings, and informing the members of the Board thereof at least five (5) days in advance in accordance with the Corporation's by-laws; and ensuring that the Board has the necessary and accurate information to enable it to arrive at intelligent decisions on matters requiring approval;
- c. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advise the Board and the Chairman on all relevant issues as they arise;
- d. Assist the Board in making business judgments in good faith and in the performance of its responsibilities and obligations;

- e. Attend all Board meetings (except when justifiable reasons prevent him from doing so), and maintain, safe keep and preserve the integrity of the official records of the Corporation, including the minutes of the Board and Board Committee meetings;
- f. Work fairly and objectively with the Board, Management, shareholders and other stakeholders; and contribute to the flow of information between the Board and Management, the Board and the Board Committees, and the Board and its stakeholders, including shareholders;
- g. Advise on the establishment of Board Committees and their terms of reference;
- h. Perform required administrative functions;
- i. Oversee the drafting of the by-laws of the Corporation and ensures that they conform with regulatory requirements;
- j. Ensure that Board procedures, rules and regulations are strictly followed by the members;
- k. Submit such reports, advice or certifications as to the attendance of the directors in Board meetings as may be required by applicable laws, rules and regulations;
- l. If he is also the Compliance Officer, perform all the duties and responsibilities of the said office as provided in this Manual; and
- m. Perform such other duties and responsibilities as may be required by the SEC.

2.2.5. External Auditor

2.2.5.1. The Corporation, through the Audit Committee, shall establish standards for the appropriate selection of an External Auditor, and exercise effective oversight of the same to strengthen the External Auditor's independence and enhance audit quality.

2.2.5.2. An External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation, undertake an independent audit of the Corporation and provide objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders. The appointment of the External Auditor, which shall be duly accredited by the SEC, shall be recommended by the Audit Committee, which recommendation shall be approved by the Board and ratified by the shareholders.

2.2.5.3. The reason/s for the change, resignation, dismissal or cessation from service of an External Auditor and the date thereof shall be disclosed

to the regulators (including the SEC) and the public through the Corporation's official website and other required disclosures. The said 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 which the External Auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the report shall be given by the Corporation to the External Auditor prior to its submission.

2.2.5.4. The External Auditor of the Corporation shall not at the same time provide the services of an Internal Auditor to the Corporation. If non-audit work is given to the External Auditor as approved by the Audit Committee, the Corporation shall ensure that such non-audit work shall not be in conflict with the functions of the External Auditor or pose a threat to its independence.

2.2.5.5. The Corporation's External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the auditing firm engaged by the Corporation shall be changed every five (5) years or earlier.

2.2.5.6. If an External Auditor believes that the statements made in the Corporation's annual report, information statement, proxy statement or any report filed with the SEC or any regulatory body during its engagement is incorrect or incomplete, it shall present its views in said reports.

2.2.6. Internal Audit Group

2.2.6.1. The Corporation shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the operations of the Corporation and its subsidiaries. This shall be performed by an Internal Audit Group comprised of the Corporation's internal auditors and, where certain internal audit activities are outsourced, the qualified independent service providers, all of whom shall be headed by an Internal Audit Group Manager.

2.2.6.2. The Internal Audit Group of the Corporation shall provide the Board, Management and shareholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with. It is responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems by assessing the adequacy and effectiveness of controls covering the Corporation's governance, operations and information systems. The scope of the Internal Audit Group's internal auditing responsibility encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Corporation's governance, risk management and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the Corporation's stated goals and objectives. The detailed functions, responsibilities, duties, authority and qualifications of the Internal Audit Group shall be set out in the Internal Audit Charter approved by the Board.

The Internal Audit Group shall govern itself by adhering to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. It shall likewise comply with The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers; the Corporation's relevant policies and procedures; and the internal audit activity's standard operating procedures manual.

2.2.6.3. The Internal Audit Group shall perform the following functions, among others:

- a. Provide an independent risk-based assurance service to the Board of Directors, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Perform regular and special audits as contained in the annual audit plan and based on the Corporation's risk assessment;
- c. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- d. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Review, audit and assess the efficiency and effectiveness of the internal control system in all areas of the organization;
- f. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluate specific operations at the request of the Board of Directors or management, as appropriate; and
- h. Monitor and evaluate governance processes.

2.2.6.4. The internal auditors of the Internal Audit Group shall report to the Internal Audit Group Manager who, in turn, shall report functionally to the Audit Committee, and administratively (i.e. day-to-day operations) to the Chief Finance Officer and Treasurer. The Internal Audit Group Manager shall oversee and be responsible for the internal audit activity of the Corporation, including that portion that is outsourced to qualified independent service providers. The following are the responsibilities of the Internal Audit Group Manager, among others:

- a. Periodically reviews the Internal Audit Charter and presents the same to Senior Management and the Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the Corporation's goals;
- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to Senior Management and the Audit Committee for review and approval;
- d. Spearheads the performance of the internal audit activity to ensure it adds value to the Corporation;
- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Presents findings and recommendations to the Audit Committee and gives advice to Senior Management and the Board on how to improve internal processes.

2.2.6.5. The Internal Audit Group should submit to the Audit Committee and Management an annual report on the Internal Audit Group's activities, responsibilities and performance, relative to the audit plans and strategies approved by the Audit Committee. The annual report shall include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Group should certify that it conducts its activities in accordance with the International Standards on the Professional Practice of Internal Auditing; otherwise, the External Auditor shall disclose to the Board and Management the reasons for its non-compliance.

3 COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

3.1. The Corporation shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information, which is crucial for informed decision-making by investors, stakeholders and other interested users.

3.2. The Corporation shall maintain an official website that is easily accessible and user-friendly, and include media and analysts' briefings as channels of communication to ensure the timely, transparent, cost-efficient, comprehensive and accurate dissemination of public, material and relevant information to its shareholders and other investors.

3.3. This Manual shall be submitted to the SEC in accordance with applicable rules and regulations. It shall be made available for inspection by any shareholder of the Corporation at reasonable hours on business days and posted on the Corporation's official website.

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

3.5. An adequate number of printed copies of this Manual must be reproduced under the supervision of Human Resources Department, with a minimum of at least one (1) hard copy of the Manual per department.

4 DISCLOSURE AND TRANSPARENCY OF THE CORPORATION'S CORPORATE GOVERNANCE POLICIES

4.1. The Board should establish corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations.

4.2. The Corporation shall disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report, which shall be submitted to the SEC and posted on the Corporation's official website, in accordance with applicable laws and regulations. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Board Committee or Officer through the Corporation's Compliance Officer.

4.3. All material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be fully, fairly, accurately and timely disclosed to the public. Such information shall include earnings results, acquisition or disposal of significant or material assets, Board changes, significant and material related party transactions and unusual or infrequently occurring transactions, shareholdings of directors and changes to ownership. In evaluating the fairness of the transaction price in a proposed acquisition or disposal of significant or material assets, an independent party shall be appointed by the Board.

4.4. All directors and Officers shall disclose to the Corporation any dealings in the Corporation's shares within five (5) business days.

4.5. All relevant and material information on individual Board members and key Officers shall be disclosed, to allow the shareholders to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

4.6. The Corporation shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in its Annual Corporate Governance Report. The Corporation shall also disclose the remuneration as may be required by law, including termination and retirement provisions.

4.7. Transactions with related parties are made on an arm's length basis and at normal market prices. The Corporation follows the same procedure as used in independent third party transactions in the review, approval/ratification, monitoring and recording of related party transactions. The Corporation also complies with the Board and shareholder voting mechanisms provided under the Corporation Code and the relevant regulations of the SEC for the approval of related party transactions, and shall adopt and implement policies

governing related party transactions as may be required by applicable laws and regulations. The material or significant related party transactions reviewed and approved during the year should be disclosed in the Corporation's Annual Corporate Governance Report.

4.8. The Corporation shall disclose to the regulators (including the SEC) and the public through the Corporation's official website and other required disclosures, any change, resignation or removal of any director, member of the Senior Management, Internal Audit Group Manager and External Auditor, and the reasons therefor.

4.9. The nature of any non-audit work of the External Auditor permitted by the Audit Committee shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report in the interest of managing any potential conflict of interest.

4.10. The Corporation shall disclose material and reportable non-financial and sustainability issues, as well as their impacts and the Corporation's strategic (long-term goals) and operations objectives (short-term goals), with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability, in its sustainability report published in the Corporation's official website. The Corporation should have a clear and focused strategy on the disclosure of non-financial information. The Corporation shall endeavor to adopt a globally recognized standard or framework in reporting sustainability and non-financial issues.

Other information that shall always be disclosed includes corporate strategy and off-balance sheet transactions.

4.11. All disclosed information shall be released via the appropriate exchange procedure or mechanisms applicable to the Corporation for corporate announcements as well as through the Annual Report.

4.12. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate exchange mechanisms and submissions to the SEC, which are applicable to the Corporation, for the interest of the stockholders and other stakeholders.

5 SHAREHOLDERS AND OTHER STAKEHOLDERS

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its shareholders and other stakeholders. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its shareholders and other stakeholders.

5.1. Shareholders' Rights and Protection

5.1.1. Commitment to Fair and Equitable Treatment of Shareholders and to Respect Rights of Shareholders/Minority Interests

The Corporation is committed to the fair and equitable treatment of shareholders and shall recognize, respect, protect and facilitate the exercise of, the rights of the shareholders and minority interests.

5.1.2. Voting Right

5.1.2.1. Shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation's by-laws, the Corporation Code, the Securities Regulation Code, and other applicable laws, rules and regulations.

5.1.2.2. The nominations for the election of all directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary, which shall be forwarded to the Governance and Nomination Committee. The Governance and Nomination Committee shall pre-screen the qualifications of the nominees and prepared a final list of nominees eligible for election. No other nominations shall be entertained after the final list of candidates is prepared. In approving the nominations for Independent Directors, the Governance and Nomination Committee shall take into consideration the guidelines and procedures on the nomination of Independent Directors prescribed under Rule 30 of the Securities Regulation Code.

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

5.1.2.4. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

5.1.2.5. The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of the Corporation. The shareholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws of the Corporation, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the shareholders' favor.

5.1.3. Pre-emptive Right

The articles of incorporation of the Corporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

Under the articles of incorporation of the Corporation, shareholders do not have pre-emptive rights.

5.1.4. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

5.1.5. Right to Information

5.1.5.1. The shareholders of the Corporation shall be provided, upon request, with periodic reports which disclose relevant personal and professional information about the directors and Officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key Officers, and the aggregate compensation of directors and Officers.

5.1.5.2. The Corporation shall endeavor to provide the shareholders with the notices of annual and special shareholders' meetings, at least twenty one (21) days before the meetings. Such notices shall contain sufficient and relevant information, such as the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated on and approved or ratified at the meetings.

5.1.5.3. The Corporation shall make the result of the votes taken during the most recent annual or special shareholders' meeting publicly available through the Corporation's official website the next working day.

5.1.5.4. The minutes of the annual and special shareholders' meeting shall be available on the Corporation's official website within five (5) business days from the end of the meeting. The minutes of meeting shall include the following matters: (a) description of the voting and the vote tabulation procedures used; (b) the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received; (c) the matters discussed and the resolutions reached; (d) a record of the voting results for each agenda item; (e) a list of the directors, Officers and shareholders who attended the meeting; and (f) dissenting opinion on any agenda item that is considered significant in the discussion process.

5.1.5.5. 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, and in accordance with law, jurisprudence and best practice.

5.1.5.6. The minority shareholders shall have access to any and all information relating to matters for which the Management is accountable and to those relating to matters for which the Management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meetings, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.

5.1.5.7. Accurate and timely information shall be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

5.1.6. Right to Dividends

5.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.

5.1.6.2. The Corporation 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; or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

5.1.7. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 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 shareholder 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; and
- c. In case of merger or consolidation.

5.1.8. Promotion of Shareholders' Rights

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

5.2. Engagement of and Duties to Stakeholders

The rights of stakeholders, including shareholders, established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders'

rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

5.2.1. The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. Stakeholders in corporate governance include, but are not limited to, shareholders, investors, customers, employees, suppliers, creditors, the community the Corporation operates in, society, government, regulators and external auditors, among others.

5.2.2. The Corporation's Code of Business Conduct and Ethics shall establish clear policies and programs to provide a mechanism for the fair treatment of stakeholders and better protection and enforcement of their rights.

5.2.3. The Corporation shall have an Investor Relations Office to ensure constant engagement with its shareholders. The Investor Relations Office shall have a designated investor relations officer, whose email address and telephone number shall be published in the Corporation's Annual Report. The designated investor relations officer should be present at every shareholders' meeting.

5.2.4. The Corporation shall maintain open and easy communication with its stakeholders, through stakeholder engagement touchpoints in the Corporation, such as the Investment Relations Office, Office of the Corporate Secretary, customer care, and corporate communications group. It shall be open to various alternative approaches of dispute resolution with due regard to such methods that will afford the stakeholders the opportunity to obtain redress for their grievances at a reasonable cost and without excessive delay; the nature of issues raised; the stakeholder concerned; and the prevailing circumstances. These methods include setting of meetings, discussions, negotiations and mediations to find an amicable solution to the issues or concerns raised.

5.2.5. The Corporation shall develop and maintain mechanisms for active employee participation to create a symbiotic environment, and encourage involvement in corporate governance processes and in the realization of the Corporation's objectives and good corporate governance goals. In this connection, it shall establish policies and programs for employees covering, among others, the following: (a) health, safety and welfare; (b) training and development; and (c) reward/compensation for employees, to encourage employees to perform better and motivate them to take a more dynamic role in the Corporation.

5.2.6. The Corporation does not tolerate corrupt practices, as expressed in its Code of Business Conduct and Ethics and various anti-corruption policies and programs, which are disseminated to employees across the organization to embed them in the Corporation's culture.

5.2.7. The Corporation shall establish and maintain a whistleblowing policy that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to the unit tasked to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

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

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

6 ORIENTATION, TRAINING AND CONTINUING EDUCATION PROGRAMS

6.1. Before beginning their directorships, first-time directors shall be oriented by the Corporation on the Corporation's business, operations and corporate structure, its vision, mission and corporate strategy, articles of incorporation and by-laws, and this Manual, to ensure that they are appropriately apprised of their duties and responsibilities, as well as provided with the information regarding the Corporation that will enable them to meet the specific needs of the Corporation and effectively perform their functions.

6.2. The Board of Directors and key Officers of the Corporation (including the Corporate Secretary, Compliance Officer and Internal Audit Group Manager) shall attend, at least annually, continuing training and education programs to further their knowledge and assist in their development and in the promotion of the effective performance of their duties and responsibilities, as well as to ensure that they are appropriately apprised of developments in the business and regulatory environments, including emerging risks, and corporate governance, risk management, and sustainability issues, relevant to the Corporation.

7 ASSESSMENT AND MONITORING OF COMPLIANCE

The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

7.1. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman of the Board, individual Board members and Board Committees.

7.2. The Board's self-assessment system shall provide, at the minimum, the criteria and process to measure and determine the performance of the Board, the individual directors and the Board Committees consistent with the provisions of this Manual, as well as allow for feedback mechanism from the shareholders.

7.3. This Manual shall be subject to quarterly review unless otherwise amended by the Board.

7.4. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible Officer or employee to the penalty provided under this Manual.

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

7.6. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to be compliant with this Manual.

8. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

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

- a. In case of first violation, the subject person shall be reprimanded.
- b. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.
- c. For third violation, the maximum penalty of removal from office shall be imposed. With regard to directors, the provision of Section 27 of the Corporation Code shall be observed.

8.2. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Adopted by the Board of Directors on October 25, 2007 and amended on April 10, 2008, March 25, 2010, March 11, 2011, December 8, 2011, February 7, 2014, May 27, 2014, May 5, 2017 and May 25, 2020.

Certified correct:



RAMON S. ANG
Chairman



ROSABEL SOCORRO T. BALAN
Compliance Officer