

January 31, 2019

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City, 1307

ATTENTION : **DIR. VICENTE GRACIANO P. FELIZMENIO, JR.**  
Markets and Securities Regulation Department

*via PSE EDGE*

**PHILIPPINE STOCK EXCHANGE, INC.**  
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Bonifacio Global City, Taguig City

ATTENTION : **MS. JANET A. ENCARNACION**  
Head, Disclosure Department

*via electronic mail*

**PHILIPPINE DEALING & EXCHANGE CORP.**  
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6766 Ayala Avenue corner Paseo de Roxas, Makati City

ATTENTION : **MS. PAULA BEATRICE A. BUENO**  
OIC - Issuer Compliance and Disclosures Department

Gentlemen:

In compliance with the SEC Memorandum Circular No. 19, Series of 2016, we submit herewith Aboitiz Equity Ventures, Inc.'s revised Manual on Corporate Governance pursuant to the 2016 SEC Code of Corporate Governance for Public Listed Companies.

Kindly acknowledge receipt hereof.

Thank you.

Very truly yours,

**ABOITIZ EQUITY VENTURES, INC.**

By:



**MANUEL ALBERTO R. COLAYCO**  
Corporate Secretary

COVER SHEET

C E O 2 5 3 6

S.E.C. Registration Number

A B O I T I Z E Q U I T Y V E N T U R E S , I N C .

( Company's Full Name )

3 2 N D S T R E E T , B O N I F A C I O G L O B A L

C I T Y , T A G U I G C I T Y , M E T R O M A N I L A

P H I L I P P I N E S

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

MANUEL ALBERTO R. COLAYCO

Contact Person

(02) 886-2338

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

MANUAL

FORM TYPE

3rd Monday of  
May

0 5 1 5

Month Day

Annual Meeting

N/A

Secondary License Type, if Applicable

SEC

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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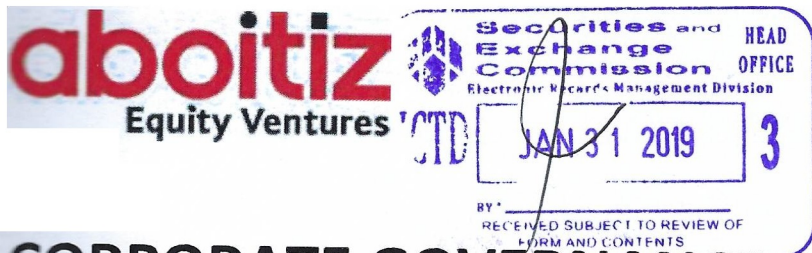
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## **MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors and Management of Aboitiz Equity Ventures, Inc. hereby commit to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

(AMENDED on August 29, 2007, September 17, 2009, May 17, 2010, March 30, 2011, August 3, 2012, January 6, 2014, July 24, 2014 March 23, 2017, and further amended on November 23, 2018)

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## I. OBJECTIVE

This Manual shall, as a general rule, institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors, management, employees, and shareholders of Aboitiz Equity Ventures (hereinafter, the “Company” or the “Group”) believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

## II. COMPLIANCE SYSTEM

### A. Chief Compliance Officer

To ensure adherence to corporate principles and best practices, the Board hereby designates a Chief Compliance Officer, who has a senior rank with adequate stature and authority in the Company. He shall have direct reporting responsibilities to the Chairman of the Board.

#### 1. Duties

He shall perform the following duties:

- 1.1 Ensure proper onboarding of new Directors (i.e., orientation on the Company’s business, charter, articles of incorporation and by-laws, among others);
- 1.2 Monitor, review, evaluate, and ensure the compliance by the Company, its Directors and corporate officers with the relevant laws, the provisions and requirements of this Manual, the rules and regulations of the Securities and Exchange Commission (SEC) and other regulatory agencies;
- 1.3 Report **any violation of this Manual** to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the **same**;
- 1.4 Ensure the integrity and accuracy of all documentary submissions to regulators;
- 1.5 Appear before the Securities and Exchange Commission (SEC) when summoned in relation to compliance with the Code of Corporate Governance for Publicly Listed Companies (CG Code for PLCs);
- 1.6 Collaborate with other departments to properly address compliance issues, which may be subject to investigation;

- 1.7 Identify possible areas of compliance issues and work towards the resolution of the same;
- 1.8 Ensure the attendance of Directors and corporate officers in relevant trainings;
- 1.9 Annually attend a training on Corporate Governance; and
- 1.10 Perform such other duties and responsibilities as may be provided by the SEC.

## **2. Disclosure**

The appointment of the Chief Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C and to The Philippine Stock Exchange, Inc. (PSE). All correspondence relative to his functions as such shall be addressed to the Chief Compliance Officer.

### **B. Plan of Compliance**

#### **1. Board of Directors**

Compliance with the principles of good corporate governance shall start with the Board of Directors.

The purpose of a Board within Aboitiz is to represent and protect the interests of the owners of the business, as well as other key external stakeholders, regardless of category, conformably with the corporate charter and applicable laws.

The primary purpose of the Board revolves around governing the various businesses in which the Company has a direct interest. In addition, it has responsibilities to other stakeholders related to compliance with regulatory standards; the provision of appropriate information and updates; and the effective representation and protection of the Aboitiz brand and reputation.

#### **2. Composition of the Board**

The Board shall be composed of at least five (5) but not more than fifteen (15) members who are elected by the shareholders. The Board must, as a general rule, have at least three (3) Independent Directors.

The membership of the Board may be a combination of Executive and Non-Executive Directors (which include Independent Directors) with diverse professional and personal backgrounds (namely: age, ethnicity, culture, skills, competence, gender and knowledge) in order that no Director or small group of Directors can dominate the decision-making process and that the Board can benefit from the professional expertise of each Director. The Non-Executive Directors should possess such

qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

### **3. The Chairman and Chief Executive Officer (CEO)**

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

In case the Chairman of the Board is not an Independent Director, the Board shall designate a Lead Independent Director, who shall perform the functions of the Chairman, among the Independent Directors.

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

- 3.1 Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chairman may deem necessary;
- 3.2 Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, the management and the Directors; and
- 3.3 Maintain qualitative and timely lines of communication and information between the Board and the management.

### **4. General Responsibility**

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

It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and stakeholders.

### **5. Duties and Functions of the Board**

In general, to ensure a high standard of best practices for the Company and its stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following functions:

- 5.1 Install a process of selection to ensure a mix of competent Directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;



- 5.2 Appoint competent, professional, honest and highly motivated officers and management team and take a direct interest in leadership succession, inclusive of the appointment of the CEO in particular and other key group senior management positions in general, and ensure that appropriate processes are effectively adopted to avoid any leadership gap;
- 5.3 Continuously determine the Company's purpose, its vision and mission and strategies to carry out its objectives. The Company's Vision and Mission is stated in its Purpose Statement:

#### **PURPOSE STATEMENT**

Guided by our core values, we the Aboitiz Group, drive change for a better world by advancing business and communities and creating long term value for our stakeholders.

- 5.4 Ensure that the strategic business direction of the various businesses of the Company is soundly established and consistent or in line with the Group's goals and strategies;
- 5.5 Establish programs that can maintain its long-term viability, practicability and strength in accordance with the objectives of the Company;
- 5.6 Ensure that the Company complies with all relevant laws, regulations and codes of best business practices;
- 5.7 Ensure effective business governance of the various businesses in which the Company has a direct equity or other similar interest, including those subsidiary organizations in which it has a majority or minority holding, or any company in which any such subsidiary has a majority or minority holding, with the objective of avoiding a deterioration in business value through regulatory breaches, or through some other means that might damage the performance and/or reputation of the business;
- 5.8 Ensure that key financial decisions made related to investment/capital expenditure considered by the various businesses in which the Company has a direct interest undergo by appropriate processes and, when or where applicable, the corresponding Board approval;
- 5.9 Periodically evaluate and monitor the implementation of existing policies and strategies, including the business plans, operating budgets and overall performance of the management team based on clear established performance metrics;

- 5.10 Identify the Company's stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability. Formulate a clear policy on accurate, timely and effective communication. Ensure an effective and constructive communication between the Group's senior management and external stakeholders (including shareholders and media, when appropriate or relevant), particularly on the business direction, work progress and any stakeholder concern, consistent with good governance practices, avoiding any possible damage to the image and/or financial value of the business. If feasible, oversight responsibility over this policy will be exercised by the CEO or the Chief Financial Officer (CFO);
- 5.11 Establish clear policies on and mechanisms for the fair treatment and protection of its stakeholders;
- 5.12 Adopt a system of internal checks and balances; review on a regular basis the effectiveness of such system to ensure the integrity of the decision-making and reporting processes at all times; and ensure the continuing soundness, effectiveness and adequacy of the Company's control environment;
- 5.13 Identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability;
- 5.14 Ensure that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks;
- 5.15 Ensure that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. **The Board may, depending on the nature of the transaction and if it deems it necessary in connection with a specific acquisition or disposal of an asset, require the appointment of an independent third party to evaluate the fairness of the transaction price for such transaction;**
- 5.16 Ensure the establishment of an effective performance management framework such that measures for the business are set up and agreed with the management, including the CEO, and the personnel's performance are at par with the standards set by the Board and senior management;
- 5.17 Ensure that appropriate compensation policies are in place, especially for senior management group, and that the compensation is at an appropriate level and commensurate to the contribution made to the business;
- 5.18 Ensure that Group's senior management progress reports on the execution of strategic plans, financial performance of the business and in general, other

matters related to the role and responsibilities of the Board, are received and properly evaluated;

- 5.19 Ensure the proper and orderly conduct of Annual Shareholders' Meetings, and such special shareholders' meetings that may be called;
- 5.20 Keep Board authority within the powers of the institution as prescribed in the articles of incorporation and by-laws of the Company and in existing laws, rules and regulations;
- 5.21 Determine which, if any, Board Committees should be constituted and to establish their respective roles and composition;
- 5.22 Establish and maintain an alternative dispute resolution system that can amicably settle **disputes**, conflicts, or differences between the Company and its shareholders, **between shareholders**, and **between** the Company and third parties, including the regulatory authorities. **To this end, the Company may adopt the rules and procedures set forth under Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, as an alternative means to amicably and fairly settle such disputes, conflicts, or differences, in order to ease the tedious process of court litigation;**
- 5.23 Adopt a Code of Ethics and Business Conduct (the "Code") to provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings including anti-corruption practices;
- 5.24 Ensure that the Code is properly disseminated to the Board, senior management and employees. A copy of the Code shall be uploaded to the Company's website for the public's access;
- 5.25 Ensure the proper and effective implementation and monitoring of compliance with the Code and internal policies;
- 5.26 Ensure proper disclosure on all relevant and material information on individual Board members and corporate officers to enable stakeholders to evaluate their experience and qualifications, and assess any potential conflict of interests that might affect their judgment;
- 5.27 Establish an Investor Relations Office to ensure constant engagement with its shareholders. **The** Investor Relations team **shall** be present in every shareholders' meeting;
- 5.28 Establish policies, programs and procedures to encourage employees to actively participate in the realization of the Company's goals and in its governance; and

5.29 Meet on a regular basis to carry out its responsibilities, and to convene such special or emergency meetings as may be required. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted.

## **6. Duties and Responsibilities of a Director**

A Director, as a rule, shall comply with the following duties and responsibilities:

6.1 Conduct fair business transactions with the Company and ensure that personal interest does not prejudice or create biased Board decisions.

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

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

6.2 Devote time and attention necessary to properly discharge his duties and responsibilities.

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

6.3 Act judiciously.

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

6.4 Exercise independent judgment.

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

- 6.5 Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.

A Director should also keep abreast with industry developments and business trends in order to promote the Company's competitiveness. Each Director shall undergo initial onboarding training and continuing professional training (formal and informal) to keep him updated on relevant laws, regulations and various business risks relevant to the Company. The Chief Compliance Officer shall ensure that Directors and corporate officers shall be updated on their corporate duties and responsibilities, on current relevant laws, rules and jurisprudence, and best business practices.

- 6.6 Observe confidentiality.

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

- 6.7 To honor their responsibilities as Board members, representing all owners/shareholders and other key stakeholders, the Director must:

6.7.1 Take time to understand the Aboitiz Group, its goals and strategies, its businesses, its governance, its brand and its key policies;

6.7.2 Represent the Aboitiz Group positively and constructively in all external dealings, seeking to enhance the Aboitiz name and reputation;

6.7.3 Perform the role of a Board member effectively, by:

6.7.3.1 Regularly attending meetings;

6.7.3.2 Effectively contributing during discussion;

6.7.3.3 Willingly offering alternative viewpoints, to reflect own personal viewpoints;

6.7.3.4 Offering any viewpoints objectively, avoiding any comments of a personal nature about another member of the Board or his/her viewpoints;

6.7.3.5 Listening to the viewpoints of other Board members with full respect and with care, to achieve optimal understanding;

- 6.7.3.6 Fully supporting decisions made by the Board in the external arena, even if that decision did not completely reflect own viewpoints;
  - 6.7.4 As an Executive Director, maintain a primary identity as a Board member, while dealing with Board matters, at the same time bringing to the Board the benefit of closer knowledge of operational considerations;
  - 6.7.5 As an Independent Director, bring fully to the Board the benefit of the particular experience or expertise that encouraged the invitation to become a Board member, at the same time not feeling constrained to contribute on matters that may be outside personal experience and expertise;
  - 6.7.6 Be constantly vigilant in maintaining complete confidentiality on details of Board discussions, individual viewpoints and any matters of sensitivity, other than what the Board agrees is to be communicated in a specific manner;
  - 6.7.7 Seek to find ways to continuously improve the efficiency and effectiveness of the Board, taking any suggestions related to this to the Board Chairman for his consideration; and
  - 6.7.8 Be prepared to receive and act upon any feedback received through the Board Chairman on ways that the member might improve performance as a Board Director.
- 6.8 A Board member may also be invited to become a member of one or more Board Committees. Such Committee(s) will have been formed by the Board to satisfy Board needs in relation to focused consideration of matters in a specific arena, as described in the Committee mandate, for the purpose of better ensuring that the Board is in a position to make properly informed decisions in that arena. To honor their responsibilities as a Board Committee member, the Board Director must:
- 6.8.1 Become familiar with the Committee mandate;
  - 6.8.2 Become familiar with specific content areas covered by the committee, and not seek to divert into areas of content not specifically envisioned by the Committee mandate;
  - 6.8.3 Regularly attend Committee meetings;
  - 6.8.4 Actively contribute to discussion during Committee meetings;

- 6.8.5 Willingly offer alternative viewpoints, to optimize personal experiences and opinions;
  - 6.8.6 Constructively engage with the CEO and any other senior leader of the Group, who may be consulted for the purpose of the Committee being better informed, or better positioned to offer the Board a more reliable recommendation;
  - 6.8.7 Maintain external confidentiality related to details of Committee discussion, including the individual views of members, other than as agreed for formal communication to the Board and/or senior management by the Committee as a whole;
  - 6.8.8 Seek to find ways to continuously improve the efficiency and effectiveness of the Committee, taking any suggestions related to this to the Committee chairman for his consideration; and
  - 6.8.9 Be prepared to receive and act upon any feedback received through the Committee chairman on ways that the member might improve performance as a Committee member.
- 6.9 If a Board member accepts an invitation to act in the capacity of the chairman of the Board Committee, his responsibilities shall also include the following:
- 6.9.1 Overseeing the conduct of the Board Committee in line with the Committee mandate, including:
    - 6.9.1.1 Managing the agenda of Committee meetings;
    - 6.9.1.2 Chairing Committee meetings, ensuring proper consideration of matters for discussion and recommendation to the full Board;
    - 6.9.1.3 Ensuring that each member of the Committee has full opportunity to express views and contribute effectively to discussion;
    - 6.9.1.4 Drawing attention to a Committee member in any situation where for one reason or another, the member is not contributing to discussion and recommendations as effectively as he/she could;
    - 6.9.1.5 Drawing to the attention of the Board Chairman any situation where for one reason or another, a Committee member is failing consistently to honor his responsibilities as a Committee member, as outlined above;

6.9.1.6 Ensuring that appropriate records of Committee deliberations and conclusions are maintained; and

6.9.1.7 Leading and facilitating the Committee in reporting back to the Chairman of the Board, or the Board overall, considerations and recommendations on any matter, including both majority conclusions and recommendations and minority conclusions and recommendations.

## **7. Qualifications of Members of the Board**

7.1 A member of the Board, must as a rule:

- 7.1.1 be a holder of at least one (1) share of stock of the Company;
- 7.1.2 be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- 7.1.3 be at least twenty-one (21) years old;
- 7.1.4 be proven to possess integrity and probity;
- 7.1.5 have no conflict of interests;
- 7.1.6 be able to devote his time in fulfilling his duties and responsibilities as Director;
- 7.1.7 have practical understanding of the businesses of the Company;
- 7.1.8 be a member in good standing in relevant industry, business or professional organizations; and
- 7.1.9 have previous business experience.

7.2 An Independent Director must, as a general rule, possess a general understanding of the business of the Company. He should possess, as much as practicable, the qualifications and stature that would enable him to effectively and objectively participate in the deliberations of the Board.

A person is disqualified from being an Independent Director if:

- 7.2.1 he is, or has been in the three years immediately preceding the election, a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Company;
- 7.2.2 he is, or has been in the three years immediately preceding the election, a Director of the Company; a Director, corporate officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a Director, corporate officer, employee of the Company's substantial shareholders and its related companies;
- 7.2.3 he has been appointed in the Company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus", "Ex- Officio" Director/ corporate officer or member of any advisory board, or



otherwise appointed as assistant to the Board in the performance of its duties and responsibilities within three years immediately preceding his election;

- 7.2.4 he is, an owner of more than two percent (2%) of the outstanding capital and subscribed capital stock of the Company, or of its subsidiaries, associates, affiliates or related companies;
- 7.2.5 he is, a relative of a Director, corporate officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, "relative" includes a spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- 7.2.6 he is acting as a nominee of or representative of any Director of the Company or any of its related companies;
- 7.2.7 he is a securities broker-dealer of listed companies and issuer of registered 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, corporate officer, principal shareholders, nominee of the broker-dealer firm to the Philippine Stock Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- 7.2.8 **during the three (3) years immediately preceding the date of his election: (a) he has been (or is currently) retained, either in his personal capacity or through a company, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholders; (b) has been(or is) otherwise associated with the Company's management or any of its businesses; (c) or had (or has) any other relationship with the company that could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;**
- 7.2.9 he is or has been engaged, whether by himself or with other persons or through a company of which he is a partner, Director or substantial shareholder, in any transactions with the Company or any of its related companies or substantial shareholder, other than such transactions that are conducted at arm's length and do not materially interfere with or influence the exercise of his independent judgment;
- 7.2.10 he is affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholder; and

7.2.11 he is employed as an executive officer of another company where any of the Company's executives serve as Directors.

## **8. Disqualifications for Board Membership**

### **8.1 Permanent Disqualification**

The following persons shall be permanently disqualified to be a Director:

8.1.1 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 affiliated person of any of them;

8.1.2 Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, *Bangko Sentral ng Pilipinas* (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as Director or corporate officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC, 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 or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

8.1.3 Any person convicted by final judgment or order by a court or by competent administrative body of an offense involving moral turpitude

or fraud, such as embezzlement, theft, *estafa*, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

- 8.1.4 Any person found guilty of violating of any provision of the Securities Regulation Code, the Corporation Code, or any other law, rule or order issued or enforced by the SEC or BSP;
- 8.1.5 Any person judicially declared to be insolvent;
- 8.1.6 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;
- 8.1.7 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;
- 8.1.8 If the Independent Director becomes an officer or employee of the Company, he shall be automatically disqualified from being an Independent Director; and
- 8.1.9 Any person found guilty of violations of any grounds that may be provided by other regulatory rules and regulations.

## 8.2 Temporary Disqualification

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

- 8.2.1 Refusal to fully disclose the extent of his business interest 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;
- 8.2.2 Absence or non-participation in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, on 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;
- 8.2.3 Dismissal or termination for cause as Director of any publicly-listed company, public company, or issuer of registered securities and holder

of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;

- 8.2.4 Being under preventive suspension by the Company;
- 8.2.5 Conviction, although not yet final, of grounds for the disqualification of Directors; and
- 8.2.6 If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its outstanding and subscribed capital stock. The disqualification from being elected as Independent Director shall be lifted if the limit is later complied with.

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

## **9. Selection of the Members of the Board of Directors and Officers**

The **Company, through its Board of Directors has adopted** a policy of appointing a diverse set of Directors. **The Company may, if the Board considers it necessary, use the services of professional search firms to identify potential candidates for Directors in the Company.**

The Board of Directors and Officers, as a rule, are selected and elected to serve the organization according to the procedures set forth in the Company's By-Laws, and with particular focus on Director's and corporate officer's ability to perform the duties and responsibilities as specified in this Manual.

The Board Corporate Governance Committee shall screen and evaluate Directors and corporate officers based on the following:

- 9.1 background and character;
- 9.2 skills and credentials;
- 9.3 ability to act in good faith in the interest of the Company and its stakeholders;
- 9.4 capacity to provide business continuity;
- 9.5 possession of a keen understanding of the businesses of the Company; and
- 9.6 qualifications and standing as specified in this Manual.

The Board may, when required, select or appoint its own members upon recommendation by the Board Corporate Governance Committee. It may appoint members of senior management as a director. The invitation to join the Board is extended by the Board itself subject to requirements for the election of Directors at the Annual Shareholders' Meeting.

The Company does not believe it should establish term limits, except for Independent Directors where the Company complies with the requirements of SEC Memorandum Circular No. 19, Series of 2016 prescribing term limits for Independent Directors. As a rule, Independent Directors may serve for a maximum of nine (9) consecutive years, starting from 2012, making sure however that the shareholders' legal right to vote and be voted as Directors remains inviolable. If the Company wants to retain an Independent Director who has served for nine consecutive years, the Board shall provide meritorious justifications and advise the shareholders of such justifications during the Annual Shareholders' Meeting.

The Company also conducts an annual assessment of the performance of the Board as a body, of the Chairman, of each of the individual Directors, and corporate officers such as the Chief Risk Officer, Chief Compliance Officer, and Group Internal Audit Head.

#### **10. Guidelines in the Number of Directorships**

The Board may adopt guidelines on the number of directorships that its members can hold in other publicly listed companies, always making sure however that the shareholders' legal right to vote and be voted as Directors remains inviolable. In setting the limit to the number of directorships, the Board should take into consideration the ability of the Director to diligently and effectively perform their duties and responsibilities and the nature and kind of corporations they may be Directors of, regardless of the number of directorships they may be holding.

The Board shall consider the following criteria in the determination of the number of the directorships for Board members:

- 10.1 The nature of the business of the Company;
- 10.2 Age of the Director;
- 10.3 Number of directorship/active memberships and officerships in other corporations or organizations; and
- 10.4 Possible conflict of interests.

In general, the optimum number of directorships a Director shall hold shall be directly related to the capacity of a Director to perform his duties diligently.

The CEO and other Executive Directors shall submit themselves to a low active 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.

**The Corporate Secretary shall maintain a list of directorships of each Director and of the CEO both within and outside the Aboitiz Group. To this end, the CEO and each Director shall inform and regularly update the Corporate Secretary of their directorships in other companies. Each Director shall notify the Board, through the Corporate Secretary, prior to his acceptance of any directorship outside the Aboitiz Group during his/her term. Directors are requested at all times to bear in mind the provisions of Article II, Section 1 of the Company's By-Laws that prohibit Directors from engaging in any business that competes with or is antagonistic to that of the Company or any of its subsidiaries or affiliates.**

#### **11. Conflict of Interests/Business Interest Disclosure**

At all times Directors have a duty to avoid conflict of interests. Thus, a Director must not do anything for and on behalf of the Company where his motivation and loyalties would be divided in that his own self-interest, or someone connected or related to him, may be given equal or higher stature to that of the Company. Directors have a duty to account to the Company for any profit or gain he may have obtained as a result of such, and as a consequence thereof, the Company may exercise certain rights against the Director for acting in circumstances with conflicts of interests.

#### **12. Board Meetings and Quorum Requirement**

The members of the Board should attend its regular and special meetings in person or through video/teleconferencing conducted in accordance with the rules and regulations of the SEC.

Independent Directors should always attend Board meetings. Unless otherwise provided in the Company's by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one Independent Director in all its meetings.

The Chief Compliance Officer or the Corporate Secretary shall disclose in the Company's annual corporate governance report the Directors' record of attendance in Board meetings for the year.

#### **13. Adequate and Timely Information**

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

Reliance on information volunteered by management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board

to enable him to properly perform his duties and responsibilities. Hence, members should be given independent access to management and the Corporate Secretary.

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

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

#### **14. Accountability and Audit**

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

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

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

- 14.1 The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- 14.2 An effective system of internal control that will ensure the integrity of the financial reports and protection of the Company's assets should be maintained for the benefit of all shareholders and stakeholders;
- 14.3 On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations; and
- 14.4 The Company should consistently comply with the financial reporting requirements of the SEC.

The Board, after consultations with the Board Audit Committee, shall recommend to the shareholders an external auditor duly accredited by the SEC who shall undertake

an independent audit of the Company, and shall provide an objective assurance on the manner by which the audited financial statements shall be prepared and presented to the shareholders.

## **15. Policy on Trading of Company Securities**

- 15.1 All Directors, corporate officers and employees are prohibited from trading (buying or selling) in Company securities while in possession of material non-public information. All Directors, corporate officers and employees are also prohibited from passing such material non-public information to any person who may use such information to trade in the Company securities;
- 15.2 A Director or a corporate officer must inform the Corporate Secretary or the Office of the Chief Compliance Officer of his beneficial ownership in Company securities not later than one (1) day after their election or appointment. Likewise, he must inform the Corporate Secretary or the Office of the Chief Compliance Officer of any change in his beneficial ownership of Company securities not later than a day after the acquisition or disposal of Company securities.

For purposes of the reportorial requirements of the SEC and the PSE, a Director's or a corporate officer's beneficial ownership of Company securities shall include not only Company securities which he directly owns but also Company securities which are:

- 15.2.1 held by members of his immediate family who share the same household;
- 15.2.2 held by a partnership in which he is a general partner;
- 15.2.3 held by a corporation of which he is the controlling shareholder; and
- 15.2.4 subject to any contract, arrangement or understanding which gives him control, voting power or power to invest with respect to such Company securities.

## **16. Policy on Performance Assessment of the Board, Board Committees, and Senior Management**

**The Board of Directors shall assess annually the performance of the Board as a governing unit, the various Board Committees, the individual Directors and Committee Members, and the key officers (including the CEO, the Chief Risk and Reputation Officer, the Chief Compliance Officer, and the Group Internal Audit Head).**

### **16.1 Criteria**

**The Board of Directors shall set the scope and criteria for the self-assessment questionnaires for Directors, which may include questions on: (i) the**



Company's compliance with applicable, and best corporate governance practices and principles; (ii) the individual Director's participation, engagement, and contribution to the Board and Board Committees; and (iii) an evaluation of the performance by the Board of its duties and responsibilities as provided in this Manual, Charter Documents, and governing policies.

## **16.2 Process**

**16.2.1 The assessment period shall be the fiscal year of the Company. The Directors will be requested to accomplish the assessment forms during the last quarter of the fiscal year.**

**16.2.2 The Board Secretariat shall compile, analyze, and present the results of the annual performance assessment to the Board Corporate Governance Committee. The Board of Directors may also require that the performance assessment be supported by an external facilitator every three (3) years.**

**16.2.3 The Shareholder Relations Officer shall submit to the Board Secretariat: (a) all comments and feedback received from individual shareholders gathered from the Company's Annual/Special Stockholders' Meeting, and (b) all comments and feedback received via the shareholder's portal in the Company's website. The Corporate Secretary shall report such comments and feedback to the Board Corporate Governance Committee.**

## **C. Board Committees**

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

### **1. Board Corporate Governance Committee**

#### **1.1 Composition**

The Board may create a Corporate Governance Committee which may be composed of at least three (3) Directors, three (3) of whom must be Independent Directors, and two (2) non-voting members in the persons of the Chief Human Resources Officer and the Chief Compliance Officer.

#### **1.2 Purpose**

The Board believes that it can usefully supplement its ability to make decisions related to governance principles and guidelines effectively and in a timely manner if it can delegate the task of preparing a strategic agenda for the Board

and ensuring that the Board is given the information necessary for making good governance decisions. The Board Corporate Governance Committee assists the Board and not pre-empt any board responsibilities in making the final decisions on corporate governance, nomination and compensation matters. The Board Corporate Governance Committee shall adopt a Committee charter.

In performing its duties, the Board Corporate Governance Committee shall maintain effective working relationships with the Board and the Company's senior leadership. To perform his or her role effectively, each Committee member must obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business and operating environment.

The Board Corporate Governance Committee has five (5) main broad responsibilities:

- 1.2.1 Develop and recommend to the Board a set of corporate governance principles, including independence standards and otherwise taking a leadership role in shaping the corporate governance of the Group;
- 1.2.2 Assist the Board by developing and recommending for its approval a set of governance guidelines applicable to the selection, contribution and conduct of Board members; and based on the approved guidelines to conduct periodic evaluations of the performance of Board members against the approved criteria;
- 1.2.3 Assist the Board by developing for approval criteria for the identification and selection of Independent Non-Executive Directors and Executive Directors, and by making specific recommendation to the Board on the Director or Directors to be nominated for election at the next annual meeting of shareholders;
- 1.2.4 Assist the Board by ensuring that appropriate senior leadership succession planning is in place throughout the Group and recommending to the Board appropriate potential and actual successors to the CEO and other key senior leadership roles; and
- 1.2.5 Assist the Board by considering and recommending goals and objectives relevant to Board Director and senior leadership compensation, and making recommendations for compensation structures and levels for Board Directors, the CEOs and other senior leaders.

In performing its duties, the Board Corporate Governance Committee shall have the authority to retain at the expense of the Group, such outside counsel,

experts and other advisors as it determines appropriate to assist it in the full performance of its functions, subject to Board approval of such appointment.

The Board Corporate Governance Committee is required to contribute to the management of the Group's affairs to ensure good governance, as outlined here, and in doing so to act honestly and in good faith with a view to the best interest of the stakeholders.

### 1.3 Duties and Responsibilities

The Board Corporate Governance Committee shall represent the Board in discharging its responsibility relating to issues around the Group's governance principles and guidelines, nomination of persons into Board and Group senior leadership roles and the various compensation matters as outlined below. The Board Corporate Governance Committee does not have decision-making authority, except in the circumstances described herein or where on the extent that such authority is expressly delegated by the Board.

#### 1.3.1 Corporate Governance Principles and Guidelines

- 1.3.1.1 In consultation with the Group's senior leadership, develop and recommend to the Board a set of corporate governance guidelines and keep abreast of developments in practice and expectations related to corporate governance, making appropriate recommendations to the Board on the basis of such developments;
- 1.3.1.2 Develop, and annually review the Manual on Corporate Governance, including policies and procedures by which the Group will operate, the by-laws of the Company to ensure their continued adequacy and relevance, and terms of reference for Board Committees;
- 1.3.1.3 Review and develop policies specific to Group disclosures, including how and when some key stakeholders, including Board members and Group senior leaders, are advised of pending disclosures;
- 1.3.1.4 Evaluate and monitor governance structures and processes, including policy development and processes for Board monitoring/oversight, providing insights to best practices in corporate governance policies;
- 1.3.1.5 Supervise and ensure the enforcement of the whistleblowing mechanism;

- 1.3.1.6 Identify and develop recommendations on Board conflict of interests and discipline by-laws, policies and processes;
- 1.3.1.7 Develop, in conjunction with the Board Chairman and the CEO, Board goals and priorities to ensure effective governance alignment with the Group's strategic and corporate planning activities;
- 1.3.1.8 Monitor the Group's fiduciary and regulatory responsibilities with respect to external reporting, i.e., corporate plan, annual report and the like;
- 1.3.1.9 Respond to any matter that may be referred to the Committee by the Board of Directors, and act according to the nature of the referral;
- 1.3.1.10 Ensure that all shareholders have access to officially disclosed corporate and relevant information by the way of the following media:
  - 1.3.1.10.1 Official disclosure statements submitted to the PSE and SEC;
  - 1.3.1.10.2 Press Releases;
  - 1.3.1.10.3 Annual reports and other materials to shareholders;
  - 1.3.1.10.4 On-line electronic mail containing regular interim and other published materials to shareholders;
  - 1.3.1.10.5 Investor/Shareholder meetings with key people in the Group;
  - 1.3.1.10.6 Analyst's briefings; and
  - 1.3.1.10.7 Written communications.
- 1.3.1.11 Handle investor and shareholder queries by coordinating with departments with primary information and ensure that investors/shareholders have easy and direct access to officially designated spokespersons for clarifying information, issues and for conveying concerns; and
- 1.3.1.12 Obtain feedback from investors and shareholders by way of regular formal research/surveys and informal meetings and get-togethers.

### 1.3.2 Governance on Selection and Performance of Board Members

- 1.3.2.1 Develop a set of governance guidelines applicable to the selection, contribution and conduct of Board members and submit to the Board for approval;
- 1.3.2.2 Develop and recommend to the Board appropriate means of overseeing and evaluating the contribution and conduct of Board members;
- 1.3.2.3 Submit to the Board for approval contract formats for Board Directors;
- 1.3.2.4 Conduct periodic evaluations of the performance of Board members against the approved criteria; and
- 1.3.2.5 Recommend to the Chairman of the Board appropriate recognition in situations of positive contribution to the Board in terms of the guidelines, and/or remedial actions to be taken in situations of less than positive contribution to the Board in terms of the approved guidelines.

### 1.3.3 Nomination of Board Directors

- 1.3.3.1 Develop criteria for the identification and selection of Independent Non-Executive Directors, Executive Directors, and Senior Management, and submit the criteria to the Board for approval;
- 1.3.3.2 Develop a suggested policy for the contracting and regular rotation of Board Independent Directors every two (2) years, or at such other intervals as the Board may determine from time to time;
- 1.3.3.3 On an ongoing basis, identify and track potential Director appointees to Board positions, either from internal or external sources;
- 1.3.3.4 As required, due to resignation or non-renewal of an Independent Non-Executive Director, an Executive Director, or Senior Management in the event of a Board decision to expand Board membership, make specific recommendations to the Board on replacement or appointment of new Directors for the Board to consider and recommend to a subsequent annual or special meeting of shareholders;

1.3.3.5 Using the prior approved format, prepare a draft of the contract to apply to any new or renewed Director for approval by the Board; and

1.3.3.6 Ensure that all new Directors are fully aware of the appropriate governance guidelines and other matters necessary to enable them to perform their directorial duties to expectations.

#### 1.3.4 Senior Leadership Role Nominations

1.3.4.1 Ensure that appropriate senior leadership succession planning is in place throughout the Group, both in terms of program design and in terms of consistent execution;

1.3.4.2 Periodically receive and consider reports related to succession planning from the Group senior leadership, through the CEO;

1.3.4.3 Evaluate the balance of skills, knowledge and experience required for the CEO and other senior leadership roles, and on this basis, identify candidates who may be suitable as potential successors to those roles, and their state of readiness to assume those responsibilities, if necessary; and

1.3.4.4 Recommend to the Board the actual successor to the CEO and other key senior leadership roles, including the CFO, the Chief Strategy Officer, the Chief Human Resources Officer, and any other senior role agreed by the Board and the CEO from time to time, in the event of the current incumbent's resignation, termination, or non-renewal of his/her contract for any reason.

#### 1.3.5 Compensation

1.3.5.1 Review and recommend to the Board frameworks or **Board policies** for remuneration and expense reimbursement or allowances for Board Directors of various categories (Independent Directors, Non-Executive Directors; and Executive Directors), including supplemental remuneration, if any, for Board committee membership;

1.3.5.2 Develop and recommend to the Board the format of the typical Director contract, for each of the three (3) categories, setting out the role, expectations and requirements of the

Director, along with the term, remuneration and other conditions of contract;

- 1.3.5.3 Review and provide recommendations to the Board on the frameworks or broad policy for compensation of key Group senior leaders (including the CEO), including long term incentive plans, ESOPs, etc. In reviewing the appropriateness of the compensation policies, the Board Corporate Governance Committee is expected to take into account all factors, which it deems necessary. The objective of such policy shall be to ensure that the compensation structure will be adequate to attract potential successors to key leadership roles, as well as to ensure that current Group senior leaders are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group;
- 1.3.5.4 Where a senior leader of the Aboitiz Group is subject to a specific contract of employment for a defined period, recommend to the Board the appropriate contract terms and conditions at the outset, and on renewal, to ensure that the contractual terms and any payments made are fair to the senior leader and the Group, so that successful contribution is appropriately rewarded while failure is not, and that the duty to mitigate loss is fully recognized. No Executive Director of the Board is to be involved in discussions or recommendations related to his or her own compensation; and
- 1.3.5.5 Review, in consultation with the CEO, and recommend to the Board frameworks or **Board** policy for compensation of Group senior leaders (excluding the CEO). Separately consider and recommend to the Board the framework and policy for the CEO's own compensation, including long terms incentive plans, ESOPs, etc. In reviewing the appropriateness of the compensation policies, the Board Corporate Governance Committee is expected to take into account all factors which it deems necessary. The objective of such policy shall be to ensure the compensation structure will be adequate to attract potential successors to key leadership roles, as well as ensure that current Group senior leaders are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

### 1.3.6 Code of Ethics and Business Conduct

- 1.3.6.1 Periodically review the Company's Code for relevance and ensure the proper and effective implementation and monitoring of compliance by Directors, officers, management and employees with the Company's Code of Ethics and Business Conduct and other internal governance policies.

The members of the Board Corporate Governance Committee shall perform such other duties and functions as may be enumerated in the Board Corporate Governance Committee Charter.

### 1.4 Policy on Executive Remuneration

The Company rewards its individual Directors and corporate officers based on ability to execute his duties and responsibilities. It is the Company's philosophy to reward based on individual performance. Performance is evaluated and compensation is reviewed on an annual basis. The Company ensures that it pays its Directors and corporate officers competitively by comparing rates with other Philippine-based companies through a market salary survey. Changes in Board compensation, if any, should come at the suggestion of the Board Corporate Governance Committee but with full discussion and concurrence by the Board.

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

## 2. Board Audit Committee

### 2.1 Composition

The Board Audit Committee shall be composed of at least three (3) Directors, two (2) of whom shall be Independent Directors and one (1) non-voting member in the person of the Chief Risk Management Officer. The Chairman of the Board Audit Committee shall be an Independent Director. Each member shall preferably have accounting and finance backgrounds, and one (1) member with audit experience, shall have adequate understanding, familiarity and competence at most of the Company's financial management systems and environment. The members shall attend the necessary training programs to enhance their understanding of their roles and to develop and maintain the required technical knowledge to discharge their functions effectively.

The Committee may invite the CFO and any other member of the management team to attend the Board Audit Committee meetings for purposes of



discussing and clarifying any matters pertaining to the financial reports of the Company.

The Board Audit Committee shall ensure that a succession plan is in place. In the absence of the Chairman, the other Independent Director shall take his place.

## 2.2 Purpose

The Board believes that it can usefully supplement its ability to make audit decisions effectively and in a timely manner if it can delegate the tasks of preparing a strategic audit agenda and providing oversight over the Company's financial reporting policies, practices and control, and internal and external audit functions based on information necessary for making good audit related decisions. The Board Audit Committee is intended to assist the Board and not pre-empt any Board responsibilities in making any final audit related decisions.

In performing its duties, the Board Audit Committee shall maintain effective working relationships with the Board and Group senior leadership. To perform his or her role effectively, each Committee member shall obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business and operating environment.

The Board Audit Committee provides assistance to the Board in fulfilling its responsibility to the shareholders, potential shareholders, governmental and/or regulatory bodies, and investment community relating to:

- 2.2.1 The integrity of the Company's financial statements;
- 2.2.2 The Company's compliance with legal/regulatory requirements, including the necessary monitoring, coordination and facilitation for compliance;
- 2.2.3 The independent auditor's qualifications and independence;
- 2.2.4 The performance of the Company's internal audit function and independent auditors;
- 2.2.5 Adequacy and effectiveness of the Company's internal control system, governance processes and risk management processes, and reviewing the performance of the Company's internal audit function; and
- 2.2.6 Open channels of communication among the Company's independent auditors, management, the internal auditing department and the Company.

As part of this process, the external auditors will report to the Board Audit Committee, and the Group Internal Auditor will also report to the Board Audit Committee from a functional perspective. In performing its duties, the Board Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Board Audit Committee determines are necessary to carry out its duties, subject to Board approval.

The Board Audit Committee is required to ensure that corporate accounting and reporting practices of the Company are in accordance with all legal requirements and are of the highest quality. Each Committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

### 2.3 Executive Sessions

The Committee shall hold, at least once a year, an executive session with the Group Internal Audit, the external auditors, management and corporate officers such as the CEO, the Chief Operating Officer, the CFO, the Chief Legal Officer, the Chief Compliance Officer, and the Chief Risk Management Officer. These meetings will provide an opportunity to discuss audit, management and Committee performance. All Non-Executive Directors shall attend the executive session.

### 2.4 Duties and Responsibilities

The Board Audit Committee shall represent the Board in discharging its responsibility relating to audit related matters of the Group as outlined below. It does not have decision-making authority, except in the circumstances described herein or on the extent that such authority is expressly delegated by the Board.

The Board Audit Committee shall perform the following:

#### 2.4.1 Internal Controls

2.4.1.1 Perform oversight financial management functions, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. This function shall include regular receipt from management of information on risk exposures and risk management activities;

2.4.1.2 Review the appointment and performance of the internal auditor, who shall functionally report directly to the Board Audit Committee. The Board Audit Committee shall also review the organizational structure, qualifications, staffing and budgeting of the internal audit function. This includes the adequacy of resources

and independence of the internal auditor. It shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties;

- 2.4.1.3 Monitor and review the adequacy of design, compliance and effectiveness of the Company's internal control system, risk management and governance processes. This includes assessment of control environment including IT systems and functions and ensuring that the results of the assurance reviews are discussed at Board Audit Committee in relation to the impact on significant risk exposures and control issues, corporate governance issues and other matters;
- 2.4.1.4 Review and approve the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit extent and scope, resources and budget necessary to implement it. The Board Audit Committee shall likewise assess and approve audit outsourcing requirements, when necessary;
- 2.4.1.5 Review of internal auditor's evaluation of the internal controls;
- 2.4.1.6 Monitor the effectiveness, integrity and adherence of the Group's financial reporting systems, financial reports and other financial matters, management information systems and internal control systems;
- 2.4.1.7 Receive and review on a quarterly basis the internal audit reports from the Group Internal Audit (GIA). The internal audit report shall contain:
  - 2.4.1.7.1 description of the progress of the internal audit plan;
  - 2.4.1.7.2 summary of internal audit activities and significant reports;
  - 2.4.1.7.3 description of any significant deficiencies in the internal control systems and procedures of the Company;
  - 2.4.1.7.4 summary of any significant difficulties or disagreements with management, or scope restrictions encountered in the course of the internal audit's work; and
  - 2.4.1.7.5 any significant unresolved issues.
- 2.4.1.8 Review and provide comments to the Group senior leadership and the Board on any revised or changed financial standards, policies, procedures, systems and controls as may be proposed from time to time;

- 2.4.1.9 Review formal quarterly and annual financial reports prior to disclosure, and advise the senior leadership and the Board of any concerns emerging from that review;
- 2.4.1.10 Review reports of the GIA, eliciting any opportunities for the improvement of the various internal control procedures, or particular areas where new or more detailed controls or procedures are desirable to increase efficiency and mitigate potential risks, and recommend to the Board for approval and to the senior leadership for implementation;
- 2.4.1.11 Review management's monitoring of compliance with the Group's Code of Ethics and Business Conduct;
- 2.4.1.12 Identify, monitor and report to the Board the Group's exposure to fraud including: (a) management's due attention to ethical considerations regarding the Group's policies and practices; (b) the standard of corporate conduct in areas such as arm's length dealings and potential conflict of interests;
- 2.4.1.13 Establish, oversee and periodically review the procedures and policies in place which enable "whistleblowing". These procedures are designed to encourage and ensure that employees may make complaints regarding accounting, internal control, auditing, illegal or unethical practices or other related matters on a confidential and anonymous basis, and without fear of some form of retribution;
- 2.4.1.14 Review the findings of any significant examination by regulatory agencies concerning the Group's financial matters;
- 2.4.1.15 Review and approve the hiring policies regarding partners, employees and former partners and employees of the Group's external auditors, and make appropriate recommendations to the Board;
- 2.4.1.16 Prepare and implement a Business Continuity Plan for the Group; and
- 2.4.1.17 Perform oversight functions over the Company's internal and external auditors and ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- 2.4.2 External Controls

- 2.4.2.1 Select, monitor and review the independence, performance and effectiveness, scope of work, fees and remuneration of external auditors, in consultation with the CEO, the CFO and the Group Internal Audit, and where appropriate, recommend to the Board the re-appointment or replacement of the current external auditor with another, after having conducted a rigorous search. The Board Audit Committee shall review periodically the significance of the non-audit fees paid to the external auditor vis-à-vis its total annual income and the Company's total consultancy expenses;
- 2.4.2.2 At least annually, the Board Audit Committee shall evaluate the independent auditors' professional qualifications, performance, independence and compensation. The evaluation shall include a review of the qualifications, performance and independence of the lead partner of the independent auditors;
- 2.4.2.3 Ensure that independent auditors comply with the International Standards on the Professional Practice of Internal Auditing (ISPPIA);
- 2.4.2.4 Ensure that external auditors are ultimately accountable to the Board and to the shareholders of the Group;
- 2.4.2.5 At least annually, obtain and review the completeness and timeliness of the report from the independent auditors (the "Auditor's Report") describing the Company's internal quality control procedures, any material issue raised by the most recent internal quality control review or peer review of the Company or by any inquiry or investigation by government or regulatory authorities within the preceding five (5) years, and the recommended steps to be taken to deal with such issues. The Board Audit Committee shall review and discuss the Auditor's Report with the independent auditors and management, and make specific recommendations to the Board of Directors for adoption. The Committee has oversight role to assess management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decision;
- 2.4.2.6 Meet with external auditors and the CFO to review the scope of the proposed audit for the current year and the audit procedures to be utilized. At the conclusion of the audit, receive the external Auditor's Report, reviewing and discussing their comments and recommendations, in consultation with the CEO and the Group CFO, and make specific recommendations to the Board for adoption;

- 2.4.2.7 Consider whether the external auditor's performance of specific non-audit services are compatible with the auditor's independence, and if so, determine the specific policies and processes to be adopted as part of the external auditor's appointment to ensure that independence is maintained. The non-audit work, if allowed, should be disclosed in the Annual Report; and
- 2.4.2.8 Provide an open avenue of communication where necessary between Group senior leadership, the Group Internal Auditor, the Board and the external auditor.
- 2.4.3 Financial Reporting and Other Public Disclosure
- 2.4.3.1 Review the external auditor's management comment letter and management's responses thereto, and enquire as to any disagreements/restrictions between management and external auditor. Review any unadjusted differences brought to the attention of management by the external auditors and the resolution of the same;
- 2.4.3.2 Review and approve the Group's interim consolidated financial statements and accompanying **Management's Discussion and Analysis** (MD&A). Review and make recommendations to the Board on approval of the Company's annual audited financial statements and MD&A before they are disclosed to the public or included in the annual reports to the shareholders. The review on the financial statements shall focus on compliance with tax, legal and regulatory requirements and changes in major judgmental areas to aid the Board in determining whether the Company is still a going concern as defined by existing accounting policies and practices;
- 2.4.3.3 Review and approve the Group's policy on external communication and disclosure of materials and information, including the form and generic content of any quarterly earnings guidance, and of any financial disclosure provided to investment analysts and rating agencies;
- 2.4.3.4 Where applicable, approve financial earnings **and** press releases after having performed a review with management and having had the required discussions with the independent auditors; and
- 2.4.3.5 Review and discuss with the CEO, the CFO and the external auditors the accounting policies and financial statement presentations which may be viewed as critical, and review and discuss any significant changes to the accounting policies, standards,

interpretations and major issues of the Group, such as the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.

2.4.3.6 Perform oversight function over the following:

- 2.4.3.6.1 Identification of material errors and fraud, and sufficiency of risk controls;
- 2.4.3.6.2 Review of actions or measures in case of finding of error or fraud in financial reporting;
- 2.4.3.6.3 Review of unusual or complex transactions including all related party transactions;
- 2.4.3.6.4 Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including subsequent events and related party transactions;
- 2.4.3.6.5 Review and approval of management representation letter before submission to external auditor;
- 2.4.3.6.6 Communications of the Board Audit Committee with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements;
- 2.4.3.6.7 Fair and balanced review of financial reports; and
- 2.4.3.6.8 Assessment of correspondence between the Company and regulators regarding financial statement filings and disclosures.

2.4.3.7 Review of analysis prepared by management and/or the independent auditor setting forth significant financial reporting issues, reasonableness of estimates, assumptions, and judgments made in connection with the preparation of the financial statements;

2.4.3.8 Establish and maintain procedures for the receipt, retention, and treatment of complaints received by the Company regarding public reporting, accounting, internal accounting controls or auditing matters;

2.4.3.9 Review and report to the Company any issue that may arise with respect to the quality or integrity of the Company's financial statements. The Board Audit Committee shall also immediately discuss such matters with the Company's management;

2.4.3.10 In consultation with the independent auditors and internal auditors, review and monitor the effectiveness and integrity of the Company's financial reporting processes and systems,

management information systems, information technology security and the overall internal control structure over finance, operations and information systems, including disclosure controls and procedures; and

2.4.3.11 Review with the independent auditors, the internal auditors and management the extent to which changes or improvements in financial or accounting standards and applications, as approved by the Board Audit Committee, have been implemented.

## 2.5 General Audit Policy

2.5.1 It is the policy of the Company to maintain a corporate audit function as one means of providing management with information to better manage and control the operations of the Aboitiz Group, for which the management is responsible;

2.5.2 It is the GIA's policy to operate in compliance with guidelines approved by the Board Audit Committee and ratified by the Board;

2.5.3 Corporate Audit is an independent assurance function assigned with the responsibility to examine and evaluate all activities of the Company, its affiliates, and subsidiaries as a service to management;

2.5.4 The Company has in place an independent internal audit function performed by the GIA, through which its Board, senior management, and shareholders are provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

2.5.5 The GIA shall report to the Board Audit Committee;

2.5.6 The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls;

2.5.7 The scope and particulars of the Company's system of effective organizational and procedural controls is based on the following factors:

2.5.7.1 the nature and complexity of the Company's business and the business culture;

2.5.7.2 the volume, size and complexity of transactions;

2.5.7.3 the degree of risk;



- 2.5.7.4 the degree of centralization and delegation of authority;
  - 2.5.7.5 the extent and effectiveness of information technology;  
and
  - 2.5.7.6 the extent of regulatory compliance.
- 2.5.8 The GIA shall submit to the Board Audit Committee and management an annual report on the internal audit department's activities, responsibilities and performance relative to audit plans and strategies as approved by the Board Audit Committee. The annual report should include the significant risk exposures, control issues and such other matters as may be needed or requested by the Board and management. GIA should certify that the audit activities are conducted in accordance with the International Standards on the Professional Practice of Internal Auditing. If it could not make such certification, it shall disclose to the Board and management the reasons why it has not fully complied with the said standards.

## 2.6 Policy with regard to the External Auditor

- 2.6.1 An external auditor enables an environment of good corporate governance as reflected in the financial records and reports of the Company. An external auditor shall be selected and appointed by the shareholders upon recommendation of the Board Audit Committee;
- 2.6.2 The reasons for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company's annual and current reports. This report shall include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by the Company to the external auditor before its submission;
- 2.6.3 The external auditor of the Company shall not at the same time provide the services of an internal auditor to the same client. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor;
- 2.6.4 The Company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier, or as required by law and the Board Audit Committee shall further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself; and

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

The members of the Board Audit Committee shall perform such other duties and functions as may be enumerated in the Board Audit Committee Charter and the Internal Audit Charter.

### **3. Board Risk and Reputation Management Committee**

#### **3.1 Composition**

The Board Risk and Reputation Management Committee shall be composed of at least five (5) Directors, at least one (1) of whom must be an Independent Director, and three (3) non-voting members in the persons of the CFO, the Chief Risk Officer, and the Chief Reputation Officer.

#### **3.2 Purpose**

The Board believes that it can usefully supplement its ability to make decisions related to risk management effectively and in a timely manner if it can delegate to a Risk and Reputation Committee the task of preparing an appropriate strategic agenda for the Board and ensuring that the Board is given the information necessary for making good risk management decisions. The Committee is intended to assist the Board and not pre-empt any Board responsibilities in making any decisions related to risk management. The Board Risk and Reputation Management Committee shall adopt a Committee Charter.

In performing its duties, the Board Risk and Reputation Management Committee shall establish and maintain constructive and collaborative working relationships with the Board and the Group senior leadership. It shall exercise oversight functions on the Group's reputation management, including corporate brand and communication strategy. The Board Risk and Reputation Management Committee shall also ensure the establishment of a governance structure that will support its framework.

To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business and operating environment.

The primary purpose of the Board Risk and Reputation Management Committee is to assist the Board, and to some extent the Board Audit Committee, in fulfilling its corporate governance responsibilities relating to

risk and reputation management of the Group. The Board Risk and Reputation Management Committee also assists in defining the Group's risk appetite and oversees the Group's risk profile and performance against the defined risk appetite.

The Board Risk and Reputation Management Committee is responsible for overseeing the identification, measurement, monitoring and controlling of the Group's principal business and reputation risks. Each Committee member must exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

The Board Risk and Reputation Management Committee, in fulfilling its role, shall establish a constructive, collaborative relationship, with the Group's senior leadership, especially, the CEO, the Chief Risk Officer, the Chief Reputation Officer, and the heads of each of the businesses within the Group.

The Board Risk and Reputation Management Committee is required to contribute to the management of the Group's risk and reputation management, and in doing so to act honestly and in good faith with a view to the best interest of all stakeholders.

### 3.3 Duties and Responsibilities

The Board Risk and Reputation Management Committee shall represent the Board in discharging its responsibility relating to risk and reputation management related matters around the Group as outlined below. The Committee does not have decision-making authority, except in the circumstances described herein or to the extent that such authority is expressly delegated by the Board.

3.3.1 At least annually, review and consider the Group's risk management policy, from time to time. For this purpose, the Board Risk and Reputation Management Committee may consider operational risks, environmental risks, financial and asset risks, other than those coming within the purview of the Board Audit Committee, security risks, and any other form of risk as approved by the Board. The Board Risk and Reputation Management Committee shall provide a forum to review exposures and strategies to mitigate risks with relevant Group senior leaders and business managers and make recommendations to the Board related to changes to the policy based on this review;

3.3.2 Undertake a periodic review of the delegated authorization and control levels. Following consultation with the CEO and CFO, make

recommendations to the Board related to any changes in these levels seen to be appropriate based on this review;

- 3.3.3 Review the Group's senior leadership's proposed risk appetite statement at least annually and if advisable, recommend it for Board approval;
- 3.3.4 Review with the Group senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of the Group's credit, market, and liquidity risk (as well as other treasury-related risk) consistent with the Group's approved risk limits and overall risk appetite. As appropriate, recommend to the Board those policies for adoption. At least annually, the Board Risk and Reputation Management Committee shall review these policies and procedures and recommend changes it considers appropriate;
- 3.3.5 Review with the Group senior leadership key policies and procedures for the effective identification, measurement, monitoring and controlling of other forms of risk, including operational, environmental and security risks, in consultation with individual business leaders and risk managers, consistent with the Group's approved risk limits and overall risk appetite. As appropriate, recommend to the Board those policies for adoption. At least annually, the Board Risk and Reputation Management Committee shall review these policies and procedures and recommend changes it considers appropriate;
- 3.3.6 Review with the Group senior leadership key policies and procedures for the effective identification of the Group's reputation and legal risks. Annually, the Board Risk and Reputation Management Committee shall review management's report on compliance with these policies and procedures and report back to the Board;
- 3.3.7 Monitor and review the Group's senior leadership's reports on the Group's risk profile, identifying material risks associated with the Group's business and operations, emerging risk issues and trends and compliance with the risk limits and policies and procedures established with a view to assessing overall adherence to the Group's defined risk appetite;
- 3.3.8 As and when appropriate, recommend to the Board seeking expert advice from external providers for specific needs for which internal expertise is unavailable, or for which an independent perspective is considered valuable, and with the Board's approval, having conducted a formal search, recommend to the Board the particular adviser to be appointed for that advice;

- 3.3.9 Ensure the proper implementation of the reputation management framework across the Group by identifying, evaluating and monitoring reputation issues to mitigate risk;
- 3.3.10 Review with the Group senior leadership the results of the reputation survey that is conducted annually by the reputation management team;
- 3.3.11 Review with the Group senior leadership the Group's corporate brand and communication strategy;
- 3.3.12 Review with the Group senior leadership the exposures and strategies that will mitigate reputation risks; and
- 3.3.13 Review with the Group senior leadership the social media strategy and corporate policy in place, as well as strategy and programs on corporate social responsibility to ensure that these are updated.

The members of the Board Risk and Reputation Management Committee shall perform such other duties and functions as may be enumerated in the Board Risk and Reputation Management Committee Charter.

#### **4. Board Related Party Transactions (RPT) Committee**

##### **4.1 Composition**

The Board RPT Committee shall be composed of at least three (3) Directors, three (3) of whom must be Independent Directors, including the Chairman of the Committee.

##### **4.2 Purpose**

The Board believes that it can usefully supplement its ability to make decisions involving transactions of the Company with related parties (Related Party) more effectively if it can delegate work to an RPT Committee. The Board RPT Committee shall review all material related party transactions of the Company. The Board RPT Committee shall assist the Board and not pre-empt the execution of the Board responsibilities in making any decisions related to Related Party transactions. The Board RPT Committee shall, as a rule, adopt a Committee Charter.

##### **4.3 Duties and Responsibilities**

The Board RPT Committee shall ensure that all transactions with, or for the benefit of, any Related Party, are on terms and conditions that are

arm's length and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval authority.

The Board RPT Committee shall provide guidance on the review, monitoring and reporting of related party transactions.

The members of the Board RPT Committee shall perform such duties and functions as enumerated in the Board RPT Committee charter.

#### **D. The Corporate Secretary**

##### **1. Qualifications**

- 1.1 He must be an officer of the Company;
- 1.2 Loyal to the mission, vision and specific business objectives of the Company;
- 1.3 He must be a citizen and a resident of the Philippines;
- 1.4 Considering his varied functions and duties, he must possess administrative and interpersonal skills, as well as financial and accounting skills;
- 1.5 He must have a working knowledge of the operations of the Company; and
- 1.6 He must be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.

##### **2. Duties and Responsibilities**

The Corporate Secretary:

- 2.1 Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to the Company;
- 2.2 Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise;
- 2.3 Assists the Board and 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 assisting the chairs of the Board and its Committees to set agendas for those meetings;
- 2.4 Assists the Board in making business judgments in good faith and in the performance of their responsibilities and obligations;

- 2.5 Attends and personally prepares the minutes of all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- 2.6 Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its Committees, as well as the other official records of the Company;
- 2.7 Ensures that all Board and Board Committee procedures, rules and regulations are strictly followed by the members;
- 2.8 Works fairly and objectively with the Board, management and shareholders and contributes to the flow of information between the Board and its Committees, and the Board and its stakeholders, including shareholders;
- 2.9 Informs members of the Board, in accordance with the by-laws, of the agenda of their meeting at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 2.10 Advises on the establishment of Board Committees and their terms of reference;
- 2.11 Performs required administrative functions;
- 2.12 Oversees the drafting of the by-laws and ensures that they conform to regulatory requirements;
- 2.13 Attends annually a training on corporate governance; and
- 2.14 Performs such other duties and responsibilities as may be provided by the SEC.

### **III. INFORMATION SECURITY MANAGEMENT**

The Company recognizes that information security management is an important component of corporate governance and shall adopt the general principles and implement best practices for information security management.

### **IV. SUSTAINABILITY POLICY**

The Company is committed to strike a balance between economic growth and social development, and environmental stewardship in the conduct of its business. To this end, the Company shall identify its stakeholders in the communities where its businesses operate to implement programs that promote environmental preservation as well as social and economic development.

Thus, the Company shall:

- a. Have a clear and focused policy on the disclosure of non-financial information.
- b. Adopt a framework which serves as the Company's guide in monitoring, measuring and improving its impact in the economy, environment, and the society.
- c. Determine focus areas which shall be monitored and reported through a sustainability report using the widely accepted framework of the Global Reporting Initiative (GRI).

## **V. COMMUNICATION PROCESS**

### **A. Availability of Information**

This Manual shall be available for inspection by any shareholder of the Company at reasonable hours on business days.

### **B. Dissemination**

All Directors, corporate officers, 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.

### **C. Department Copies**

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.

## **VI. ONBOARDING AND TRAINING PROCESS**

### **1. Onboarding for First-Time Directors**

**The Board Secretariat shall ensure that first-time Directors receive a comprehensive onboarding orientation prior to attending their first board meeting. The onboarding session shall include an overview of a director's duties and responsibilities as members of the Board and Board Committees, the Company's corporate governance policies and programs, and the Company's overall operations, including the following:**

- a. **History, mission, and vision of the Company;**
- b. **The Group purpose, culture, branding, and core values;**
- c. **Overview of the Company including an introduction to the Company's charter documents;**



- d. The Composition of the Board and Board Committees;
- e. Code of Ethics and other relevant company policies;
- f. Board and Board Committee Charters; and
- g. Board and Board Committee Meeting Schedule.

The onboarding session may also include meetings with the Chairman of the Board, the other Board members, the CEO, the Chief Compliance Officer, the Corporate Secretary, and other relevant corporate officers.

## **2. Continuous Training and Development Program for Directors and Officers**

**2.1** The Company's Directors and corporate officers shall participate in continuous training and development programs (the "Programs") to enhance their understanding of their roles and to develop and maintain the required knowledge to discharge their functions effectively.

All incumbent Directors and key officers (as identified by the Board of Directors) are required to attend at least four (4) hours of training programs, seminars and/or workshops annually on topics relevant to the Company and to their respective roles, either through in-house training or external courses accredited by the SEC. The Board Secretariat may arrange for in-house seminars on SEC-prescribed topics that are of relevance to the Company, such as industry developments, emerging risks, new laws, and new regulations.

**2.2** Directors and key officers required by the Board to attend relevant programs, seminars, and/or workshops under Clause 2.1 above shall provide the Board Secretariat a copy of his or her certificate of attendance thereof within three (3) business days from completing the same. The Board Secretariat is required to submit the relevant certificate of attendance to the SEC within ten (10) business days from receipt of such documentation from each Director and key officer.

**2.3** The Board Secretariat shall keep records of attendance and participation of each Director and key officer at the required training programs, seminars, and/or workshops, as well as the details thereof.

## **VII. REPORTORIAL OR DISCLOSURE SYSTEM OF THE COMPANY'S CORPORATE GOVERNANCE POLICIES**

- A. The Company abides by the principle of transparency to prevent mismanagement and misappropriation by any stakeholder of the Company's assets. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or corporate officer through the Company's Chief Compliance Officer.

- B. All material information shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of Directors and changes to ownership. Management in close consultation with the Chief Compliance Officer shall formulate the Company's policies in relation to disclosures of related party transactions. When it deems it necessary, the Board of Directors may appoint an independent party to evaluate the fairness of the transaction price for the acquisition or disposal of assets.
- C. Other information that shall always be disclosed as required by law includes remuneration (including stock options) of all Directors and corporate officers.
- D. All disclosed information shall be released via the approved stock exchange procedure for the Company announcements and other required reports.
- E. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

## **VIII. SHAREHOLDERS' BENEFIT**

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

### **Investors' Rights and Protection**

The Board is committed to respect the following rights of the shareholders:

#### **A. Right to Participate in Shareholders' Meetings**

1. Shareholders have the right to receive notices of all shareholders' meetings and receive information on the agenda for the meeting, other explanatory materials in relation to the agenda items, as well as copies of other documents necessary for a full participation in a shareholders' meeting at least twenty-eight (28) days prior to the meeting;
2. Attend and vote in all the shareholders' meetings; and
3. Be informed of the results of the votes taken during shareholders' meetings immediately on the next working day. The minutes of the shareholders' meetings shall also be made available in the Company's website within five (5) business days from the date of the meeting.

## **B. Voting Right**

1. Shareholders shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code;
2. Cumulative voting shall be followed in the election of Directors; and
3. A Director shall not be removed without cause if it will deny minority shareholders representation in the Board.

## **C. Pre-emptive Right**

All shareholders shall have pre-emptive right, unless the same is denied in the Articles of Incorporation or in an amendment thereto or as may be required by the SEC, and in documents signed by such shareholders. They shall have the right to subscribe to the capital stock of the Company. The Company's articles of incorporation 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, as amended from time to time.

## **D. 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.

## **E. Right to Information**

1. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the Directors and corporate officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among Directors and corporate officers, and the aggregate compensation of Directors and corporate officers;
2. 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
3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to

those relating to matters for which the management 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' meeting, being within the definition of "legitimate purposes".

#### **F. Right to Dividends**

1. Shareholders shall have the right to receive dividends subject to the discretion of the Board; and
2. The Company intends to maintain an annual cash dividend payment ratio of approximately one-third of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of circumstances which may restrict the payment of cash dividends, such as the undertaking by the Company of major projects and developments requiring substantial cash expenditures or restrictions on cash dividend payments under its loan covenants.

#### **G. 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 82 of the Corporation Code of the Philippines, under any of the following circumstances:

1. In case any amendment to the Company's articles of incorporation has the effect of changing or restricting the rights of any shareholders 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;
2. 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
3. In case of merger or consolidation.

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

It shall be the duty of the Directors to promote shareholders 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' meaningful participation 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. Accurate and timely information should 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.

Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders, in accordance with the By-laws, the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

## **IX. MONITORING AND ASSESSMENT**


- A. Each Committee shall report regularly to the Board of Directors.
- B. The Chief 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 Part X of this Manual.
- C. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's Annual Report (SEC Form 17-A) or in such form of report that is applicable to the Company. The adoption of such performance evaluation system must be covered by a Board approval.
- D. This Manual shall be subject to annual review unless the Board amends the frequency.
- E. All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

## **X. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

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

1. In the case of a first violation, the subject person shall be reprimanded;
  2. Suspension from office shall be imposed in the case of a second violation. The duration of the suspension shall depend on the gravity of the violation; and
  3. For a third violation, the maximum penalty of removal from office shall be imposed.
- B. The commission of a third violation of this Manual by any member of the Board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
- C. The Chief Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Certified true and correct:



**ERRAMON I. ABOITIZ**  
President and CEO



**MANUEL ALBERTO R. COLAYCO**  
Chief Compliance Officer