

May 29, 2017

**THE PHILIPPINE STOCK EXCHANGE, INC.**  
4/F Philippine Stock Exchange Center  
Exchange Road, Ortigas Center, Pasig City

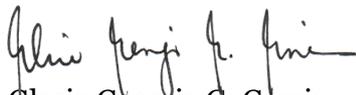
Attention: **MR. JOSE VALERIANO B. ZUÑO III**  
**Head, Disclosure Department**

Subject: **MABUHAY HOLDINGS CORPORATION**  
**New Manual on Corporate Governance**

Gentlemen:

We submit herewith MABUHAY HOLDINGS CORPORATION's New Manual on Corporate Governance effective 2017.

Very truly yours,



Gloria Georgia G. Garcia  
Treasurer and Corporate Compliance Officer

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SEC Registration Number

M A B U H A Y H O L D I N G S C O R P O R A T I O N

(Company's Full Name)

3 5 / F R U F I N O P A C I F I C T O W E R

6 7 8 4 A Y A L A A V E N U E

M A K A T I C I T Y

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

GLORIA GEORGIA G. GARCIA

Contact Person

750-2000

Company Telephone Number

1 2

Month  
Fiscal Year

3 1

Day

**New Manual on Corporate Governance**

FORM TYPE

0 4

Month  
Annual Meeting

Day

n/a

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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LCU

Document ID

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Cashier

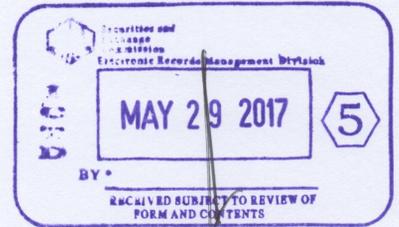
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**MABUHAY**  
HOLDINGS CORPORATION

May 29, 2017

**SECURITIES AND EXCHANGE COMMISSION**  
PICC Complex, Roxas Boulevard, Metro Manila



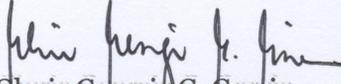
Attention: **MS. JUSTINA F. CALLANGAN**  
**Director, Corporate Governance & Finance Department**

Subject: **MABUHAY HOLDINGS CORPORATION**  
**New Manual on Corporate Governance**

Dear Director Callangan:

We submit herewith MABUHAY HOLDINGS CORPORATION's New Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 19 Series of 2016.

Very truly yours,

  
Gloria Georgia G. Garcia  
Treasurer and Corporate Compliance Officer



**NEW MANUAL  
ON CORPORATE GOVERNANCE**

**May 2017**

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# **MABUHAY HOLDINGS CORPORATION**

## **NEW MANUAL ON CORPORATE GOVERNANCE**

### **INTRODUCTION**

The Board of Directors and Management of Mabuhay Holdings Corporation, (the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals. As our operating subsidiaries are also instrumental in the attainment of our corporate goals, this Manual, to the extent applicable shall also serve as a guide in their management and operations.

### **OBJECTIVE**

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

The Board of Directors and Management 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.

### **DEFINITION OF TERMS**

All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender. All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation.

The terms used in this Manual shall have the respective meanings as set forth below:

**Code** - The Code of Corporate Governance for Publicly-Listed Companies promulgated by the Securities and Exchange Commission. The Code of Corporate Governance is intended to raise the corporate governance standards of Philippine corporations to a level at par with its regional and global counterparts.

**Corporate Governance** - the system of stewardship and control to guide the Corporation in fulfilling its long-term economic, moral, legal and social obligations towards its stockholders and stakeholders which include, among others, customers, employees, suppliers, creditors, investors, government and community in which it operates;

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors and senior management accountable for ensuring ethical behavior - reconciling long-term customer satisfaction with shareholder value - to the benefit of all stakeholders and society.

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

**Exchange** - an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;

**Management** - a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation;

**Independent director** - a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;

**Executive director** - a director who has executive responsibility of day-to-day operations of a part or the whole of the organization;

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

**Non-audit work** - the other services offered by an external auditor to a Corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;

**Internal control** - a process designed and effected by the Board of Directors, senior management and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations and the organization's policies and procedures;

**Internal audit** - an independent and objective assurance activity designed to add value to and improve the Corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

**Internal audit department** - a department or unit of the Corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the Corporation's operations;

**Internal Auditor** - the highest position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

**Enterprise Risk Management** - a process effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives;

**Related Party** - shall cover the company subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

**Related Party Transactions** - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

**Stakeholders** - any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

**Commission** - refers to the Securities and Exchange Commission (SEC).

**Corporation** - refers to Mabuhay Holdings Corporation.

## **PART 1 THE BOARD'S GOVERNANCE RESPONSIBILITIES**

### **ARTICLE 1: THE BOARD OF DIRECTORS**

The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

#### **A. Composition of the Board**

The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgement on corporate affairs and to substantiate proper checks and balances.

The Board shall have at least three (3) independent Directors or such number that constitutes at least one-third (1/3) of the members of the Board, whichever is higher.

The right combination of non-executive directors (NEDs), which include independent directors (IDs) and executive directors (EDs), ensures that no director or small group of directors can dominate the decision-making process.

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

#### **B. Qualifications of Directors**

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

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

### **C. Disqualification of Directors**

#### **i. Permanent Disqualification**

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

- a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;
- c) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- d) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- e) Any person who has been adjudged by final judgment or order of the Commission, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- f) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation;
- g) Any person judicially declared as insolvent;
- h) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;
- i) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- j) Other grounds as the SEC may provide.

#### **ii. Temporary Disqualification**

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

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

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

#### **D. Trainings**

The Corporation shall provide training of directors - which includes orientation for first-time directors for at least eight (8) hours and annual continuing training for all directors for at least four (4) hours.

First-time directors should be properly oriented upon joining the board to ensure that new members are appropriately apprised of their duties and responsibilities before beginning their directorships. The annual continuing training program shall ensure that directors are continuously informed of the developments in the business and regulatory environments.

#### **E. Diversity**

The Corporation recognizes the value of Board diversity. A board diversity can be in terms of gender, age, ethnicity, culture, skills, competence and knowledge. The Corporation shall commit to establish a Board Diversity Policy.

#### **F. The Corporate Secretary**

The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. He should be a Filipino citizen, a resident of the Philippines and an officer of the Corporation. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the Corporation and its shareholders and has, among others the following duties and responsibilities:

- a) Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and setting agendas for those meetings;
- b) Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;

- c) Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- d) Works fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e) Advises on the establishment of board committees and their terms of reference;
- f) Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h) Performs required administrative functions;
- i) Oversees the drafting of the by-laws and ensure that they conform with regulatory requirements; and
- j) Performs such other duties and responsibilities as may be provided by the SEC.

#### **G. The Compliance Officer**

The Board shall ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. He should not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Compliance Officer is a member of the company's management team in charge of the compliance function. The Compliance Officer is primarily responsible to the Corporation and its shareholders and has, among others the following duties and responsibilities:

- a) Ensures proper onboarding of new directors (i.e. orientation on the company's business, charter, articles of incorporation and by-laws, among others.);
- b) Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c) Reports the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- d) Ensures the integrity and accuracy of all documentary submissions to regulators;
- e) Appears before the SEC when summoned in relation to compliance of this Code;
- f) Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g) Identifies possible areas of compliance issues and work towards the resolution of the same;
- h) Ensures the attendance of board members and key officers to relevant trainings; and
- i) Performs such other duties and responsibilities as may be provided by the SEC.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C.

#### **ARTICLE 2: ROLES AND RESPONSIBILITIES OF THE BOARD**

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws and other legal pronouncements and guidelines should be clearly made known to directors as well as to shareholders and other stakeholders.

## A. Responsibilities, Duties and Functions of the Board

### i. General Responsibility

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

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

### ii. Duties and Functions

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

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.
- b) Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the **corporation's stakeholders** in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.
- g) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint venture, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- i) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.

- k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
- l) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
  
- m) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

## **B. Specific Duties and Responsibilities of a Director**

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

A director should observe the following norms of conduct:

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

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests.

He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

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

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

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

- iii. Act judiciously.
  
- iv. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.
  
- v. Exercise independent judgment.
  
- vi. 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. Corollarily, he should support plans and

ideas that he thinks are beneficial to the Corporation.

- vii. Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.
- viii. A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.
- ix. Observe confidentiality.
- x. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

### **C. Internal Control Responsibilities of the Board**

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

- i. The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
  - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;
  - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - c) Evaluation of proposed senior management appointments;
  - d) Selection and appointment of qualified and competent management officers; and
  - e) Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- ii. The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of the business and the business culture, volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- iii. The Corporation may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The internal audit system may include the establishment of an internal audit process in the subsidiaries to support the internal audit requirements of the Corporation. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

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

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

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

To monitor the directors' compliance with the attendance requirements, corporations shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

#### **E. Remuneration of Directors and Officers**

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

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

The Corporation'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.

To protect the funds of a corporation, the Commission may, in exceptional cases, e.g. when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe to its directors and officers.

#### **F. The Chair and Chief Executive Officer**

The Chairman of the Board and Chief Executive Officer (CEO) should be held by separate individuals 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 Chair and CEO upon their election.

If the positions of Chair and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

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

- a) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- b) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and
- c) Maintain qualitative and timely lines of communication and information between the Board and Management.

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

- a) Determine the corporation's strategic direction and formulate and implement its strategic plan on the direction of the business;
- b) Communicate and implement the corporation's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- c) Oversee the operations of the corporation and manage human and financial resources in accordance with the strategic plan;
- d) Has good working knowledge of the corporation's industry and market and keep up-to-date with its core business purpose;
- e) Direct, evaluate and guide the work of the key officers of the corporation;
- f) Manage the corporation's resources prudently and ensure a proper balance of the same;
- g) Provide the Board with timely information and interface between the Board and the employees;
- h) Build the corporate culture and motivate the employees of the corporation; and
- i) Serve as the link between internal operations and external stakeholders.

### **ARTICLE 3: BOARD COMMITTEES**

The Board shall constitute the proper committees to assist it in good corporate governance.

The Board shall adopt the following committees:

- Audit and Related Party Transactions Committee
- Risk Oversight Committee
- Corporate Governance Committee
- Executive Committee

All established committees shall have Committee Charters stating their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and shall be disclosed on the company's website.

#### **Audit and Related Party Transactions Committee**

The Audit and Related Party Transaction Committee shall consist of at least three (3) appropriately qualified non-executive directors, majority of whom shall be independent. The chair of the Audit Committee should be an independent director. All of the members of the committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the Chairman of the Board or any other committees.

The committee shall have the following functions:

#### **Audit**

- a) Recommends the approval of the Internal Audit (IA) Charter which formally defines the role of the Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;
- b) Through the Internal Audit Department, monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting and security of physical and information assets;
- c) Oversees the Internal Audit Department and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- d) Establishes and identifies the reporting line of the Internal Auditor to enable him to

properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;

- e) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- f) Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g) Evaluates and determines the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to the total fees paid to the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;
- h) Reviews and approves the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements.
- i) Reviews the disposition of the recommendations in the external auditor's management letters;
- j) Performs oversight functions over the corporations internal and external auditors to ensure independence of internal and external auditors and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- k) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- l) Recommends to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provide an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- m) In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees.

### **Related Party Transactions**

- a) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships should be reflected in the relevant reports to the Board and regulators/ supervisors;
- b) Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor collateral requirement) to such related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
  - The related party's relationship to the company and interest on the transaction;
  - The material facts of the proposed RPT, including the proposed aggregate

- value of such transaction;
  - The benefits to the corporation of the proposed RPT ;
  - The availability of other sources of comparable products or services; and
  - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs ;
- c) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company arise as a result of the company's affiliation or transactions with other related parties;
- d) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- e) Ensures that transactions with related parties, including two write-off exposures are subject to a periodic independent review or audit process; and
- f) Oversees the implementation of the system for identifying, monitoring, measuring control, and reporting RPTs, including a periodic review of RPT policies and procedures.

#### **Board Risk Oversight Committee**

The Board Risk Oversight Committee (BROC) shall be responsible for the oversight of the company's Enterprise Risk Management system to ensure its functionality and effectiveness. The BROC shall be composed of at least three (3) members, majority of whom should be independent directors, including the Chairman.

Enterprise Risk Management is integral to an effective corporate governance process and the achievement of a company's value creation objectives. Thus, the BROC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The BROC has the following duties and responsibilities, among others:

- a) Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of risks and developing strategies to manage prioritized risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b) Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or office are addressing and managing these risks.
- c) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management

strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;

- d) Advises the Board on its risk appetite levels and risk tolerance limits;
- e) Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- f) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g) Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h) Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the action taken to reduce the risks, and recommends further action or plans, as necessary.

### **Corporate Governance Committee**

The Corporate Governance (CG) Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It shall be composed of at least three (3) members, all of whom should be independent directors, including the Chairman.

The CG Committee has the following duties and functions:

- a) Oversees the implementation of the corporate governance framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d) Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession planning for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

- f) Proposes and plans relevant trainings for the members of the Board;
- g) Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- h) Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

Aside from compliance with the best practices of corporate governance, the CG Committee shall also have the following functions:

- a) **Nomination and Election** - The CG Committee shall perform the functions previously undertaken by the Nominations and Elections Committee, which shall be responsible in review and evaluation of qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
- b) **Compensation and Remuneration** - The CG Committee shall perform the functions previously undertaken by the Nominations and Elections Committee, which shall be responsible in developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.

#### **ARTICLE 4: COMMITMENT**

To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

#### **Multiple Board Seats**

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

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

#### **ARTICLE 5: BOARD INDEPENDENCE**

##### **A. Independent Director**

The Board shall have at least three (3) independent Directors or such number that constitutes at least one-third (1/3) of the members of the Board, whichever is higher.

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who:

- a) Is not, or has not been a senior officer or employee of the company unless there has been a change in the controlling ownership of the company;
- b) Is not, and has not been in the three (3) years immediately preceding the election, a director of the company, a director, officer, employee of the company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the company's substantial shareholders and its related companies;
- c) Has not been appointed in the company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus", "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;
- d) Is not an owner of more than two percent (2%) of the outstanding shares of the company, its subsidiaries, associates, affiliates or related companies;
- e) Is not a relative of a director, officer, or substantial shareholder of the company, or any of its substantial shareholders. Relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f) Is not acting as a nominee or representative of any director of the company or any of its related companies;
- g) Is not a securities broker-dealer of listed companies and registered issuers of securities;
- h) Is not retained, either in his personal capacity or through a firm, as professional adviser, auditor, consultant, agent or counsel of the company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business relationship within the three (3) years immediately preceding the date of his election;
- i) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere or influence the exercise of his independent judgment;
- j) Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- k) Is not employed as an executive officer of another company where any of the company's executives serve as directors.

The Board's independent director shall serve for a maximum cumulative term of nine (9) years. The cumulative period shall start from the year 2012 in accordance with SEC memorandum circular. After such cumulative nine-year period, the independent director shall be perpetually barred from re-election as such in the same company, but he may continue to qualify for nomination and election as non-independent director. In the instance that the company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual stockholders' meeting.

## **B. Lead Director**

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

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

- a) Serves as an intermediary between the Chairman and the other directors when necessary;
- b) Convenes and chairs meetings of the non-executive directors; and
- c) Contributes to the performance evaluation of the Chairman, as required.

### **C. Abstention**

A director with a material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same. The director must not use his position to profit or gain some benefit or advantage for himself and his related interests.

### **D. Non-Executive Directors Meetings**

The non-executive directors should have separate periodic meetings with the external auditors and heads of internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director.

## **ARTICLE 6: BOARD PERFORMANCE**

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

- a) The Board shall conduct an annual assessment of its performance, including the performance of the Chairman, individual members and committees. Every three (3) years, the assessment should be supported by an external facilitator.
- b) The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and committees. Such a system should allow for a feedback mechanism from the shareholders.
- c) The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Manual. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Corporation's annual report.

## **ARTICLE 7: BOARD ETHICS**

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

- a) The Board should adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, Senior Management and employees. It should also be disclosed and made available to the public through the company website.
- b) The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

**PART 2**  
**DISCLOSURE AND TRANSPARENCY**

The Company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations

**ARTICLE 8: COMPANY DISCLOSURES AND POLICIES AND PROCEDURES**

- a) The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the company's financial condition, results and business operations.
- b) The Board shall commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.
- c) The Company shall have a policy requiring all directors and officers to disclose/report to the company any dealings in the company shares within three (3) business days.
- d) The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
- e) The Company should provide a clear disclosure of its policies and procedure for setting board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report.
- f) The Company should disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance. The material or significant RPTs reviewed and approved during the year should be disclosed In Its Annual Corporate Governance Report.
- g) The Company should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.
- h) The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website.

**ARTICLE 9: EXTERNAL AUDITOR'S INDEPENDENCE AND AUDIT QUALITY**

- A. The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor.
  - a) The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders.
  - b) The removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.
  - c) The Audit Committee Charter should include the Audit Committee's responsibility on assessing the integrity and independence of external auditors.
  - d) The company should disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.
- B. The Audit Committee Charter shall include the Audit Committees responsibility on assessing the integrity and independence of the external auditor and exercising effective oversight to

review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

- C. The nature of non-audit services performed by its external auditor shall be disclosed in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

#### **ARTICLE 10: FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

The Corporation shall have a clear and focused policy on the disclosure of material non-financial information with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

#### **ARTICLE 11: COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION**

The Corporation shall have a comprehensive and cost-efficient channels of communication to ensure the timely and accurate dissemination of public material and relevant Information to its shareholders and other investors such as but not limited to company websites and media and analysts' briefings.

### **PART 3**

#### **INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**

#### **ARTICLE 12. INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT**

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company shall have a strong and effective internal control system and enterprise risk management framework.

- A. The company should have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.
- B. The company should have in place an independent internal audit function that provides an independent and objective assurance and consulting services designed to add value and improve the company's operations.

The following are the functions of the Internal Audit:

- a) Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control process;
- b) Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c) Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;

- f) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g) Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h) Monitors and evaluates governance processes.

A company's internal audit activity maybe a fully resourced activity housed within the organization or may be outsourced to qualified third party service providers.

C. Subject to the company's size, risk profile and complexity of operations, it should have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE's function is to oversee the internal audit activity of the organization, including that portion outsourced to a third party service provider.

The following are the responsibilities of the CAE, among others:

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

D. Subject to the company's size, risk profile and complexity of operations, it should have a separate risk management function to identify, assess and monitor key risk exposures. In managing the company's Risk Management System, the company should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his responsibilities.

The risk management function involves the following activities, among others:

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

- E. In managing the company's Risk Management System, the company should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his responsibilities, subject to a company's size, risk profile and complexity of operations.

The CRO has the following functions, among others:

- a) Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b) Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c) Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d) Suggests ERM policies and related guidance, as may be needed; and
- e) Provides insights on the following:
  1. Risk management processes are performing as intended;
  2. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  3. Established risk policies and procedures are being complied with.

## **PART 4**

### **SYNERGIC RELATIONSHIP WITH SHAREHOLDERS**

#### **ARTICLE 13. PROMOTING SHAREHOLDER RIGHTS**

The Company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

- A. The Board shall respect the rights of the stockholders as provided for in the Corporation's Articles of Incorporation and the Corporation Code; namely:
- i. Right to vote on all matters that require their consent or approval;
  - ii. Right to inspect corporate books and records;
  - iii. Right to information;
  - iv. Right to dividends;
  - v. Right to propose holding of meetings;
  - vi. Right to nominate candidates to the Board;
  - vii. Appraisal right.

The pre-emptive right is denied under the Corporation's Articles of Incorporation.

- B. The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.
- C. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.
- D. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

- E. Although all stockholders should be treated equally or without discrimination, minority stockholders may request in writing the holding of meetings and the items for discussion in the agenda that relate directly to a legitimate purpose and the business of the Corporation, subject to the requirement under the By-laws that such requesting stockholder is the holder of record of not less than one-fourth of the outstanding voting capital stock of the Corporation.
- F. All shareholders must be given the opportunity to nominate candidates to the Board of Directors in accordance with the existing laws. The procedures of the nomination process are expected to be discussed clearly by the Board. The Corporation shall fully and promptly disclose all information regarding the experience and background of the candidates to enable the shareholders to study and conduct their own background check as to the candidates' qualification and credibility.
- G. The Board shall encourage active shareholder participation by (a) disclosing the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant Information at least twenty eight (28) days before the meeting and posted on the company website.
- H. The Board shall encourage active shareholder participation by making the results of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the company website within five (5) business days from the end of the meeting.
- I. The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.
- J. The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting. The IRO shall have a designated investor relations officer, email address and contact number.

**PART 5  
DUTIES TO STAKEHOLDERS**

**ARTICLE 14. RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS' RIGHTS**

The rights stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

- A. The Board shall identify the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability. The stakeholders, but are not limited to customers, employees, suppliers, shareholders, Investors, creditors, the community the company operates in, society, the government, regulators, competitors, external auditors, among others. In formulating the company's strategic and operational decisions affecting its wealth. growth and sustainability due consideration is given to those who have an interest in the company and are directly affected by its operations.
- B. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection or stakeholders.
- C. The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

**ARTICLE 15. EMPLOYEES' PARTICIPATION**

The Company shall develop a mechanism for employee participation to create a symbiotic environment, realize the company's goals and participate on its corporate governance

processes.

- A. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance. This will cover, among others:
  - i. Health, safety and welfare;
  - ii. Training and development; and
  - iii. Reward/compensation for employees.
- B. The Board shall adopt an Anti-Corruption Policy to mitigate corrupt practices such as, but not limited to bribery, fraud, extortion, collusion, conflict of interest and money laundering. This encourages employees to report corrupt practices and outlines procedures on how to combat, resist and stop these corrupt practices.
- C. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

#### **ARTICLE 16. SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

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

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

### **PART 6 OTHER PROVISIONS**

#### **ARTICLE 17. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

The corporate governance rules that the Corporation may establish and implement in accordance with the Code shall be embodied in a Manual that can be used as reference by the members of the Board and Management.

The Manual shall be made available for inspection by any shareholder at reasonable hours on business days. A copy of the Manual shall be posted on the company website.

#### **ARTICLE 18. ADMINISTRATIVE SANCTIONS**

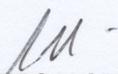
Any violation of the mandatory provisions of this Manual shall be subject to the sanctions provided under the Code, as may be amended from the time to time.

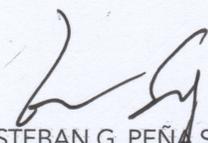
**SIGNATURES**

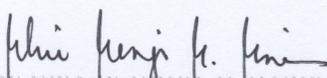
Makati City, May 29, 2017.

**MABUHAY HOLDINGS CORPORATION**

By:

  
ROBERTO V. SAN JOSE  
Chairman of the Board

  
ESTEBAN G. PEÑA SY  
President

  
GLORIA GEORGIA G. GARCIA  
Senior Vice-President & CFO  
Compliance Officer