

# AMENDED MANUAL ON CORPORATE GOVERNANCE (August 2016)

## SECTION 3 – BOARD GOVERNANCE

### 1. BOARD GOVERNANCE

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.

#### 1.1 Composition of the Board

The Corporation’s Board shall be composed of nine (9) directors, two (2) of which are independent directors who are elected by the stockholders.

The membership of the Board may be a combination of executive and non-executive directors (which included independent directors) in order 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.

##### 3.1.1 Chairman and CEO

The roles of the Chairman and the CEO should, 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 the functions between the Chairman and the CEO shall be made upon their election.

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

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

- (i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- (ii) 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
- (iii) Maintain qualitative and timely lines of communication and information between the Board and Management.

#### 1.2 Board of Directors

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

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

### **1.2.1 General Responsibility of a Director**

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.

### **1.2.2 Specific Duties and Functions of the Board**

To ensure a high standard of best practice for the Corporation, its stockholders and 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 ventures, 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.

### **1.2.3 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:

- Conduct fair business transactions for the Corporation and to ensure that his personal interest does not conflict with the interests of the corporation;
- Devote the time and attention necessary to properly and effectively perform his duties and responsibilities;
- Act judiciously;
- Exercise independent judgment;
- 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.
- Observe confidentiality;
- Ensure the continuing soundness, effectiveness and adequacy of the Corporation's internal control system.

### **1.2.4 Qualifications of Directors**

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least thirty (30) years old;
- He shall have worked or in business for at least six (6) years and held a position not less than managerial level;
- He shall have proven to possess integrity and probity; and

- He shall be assiduous.

### **Disqualifications**

As provided in the SEC Revised Code of Corporate Governance, the following shall be grounds for permanent disqualification of a director:

(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

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

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the 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;

(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting,

misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(iv) Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;

(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

(vi) Any person judicially declared as insolvent;

(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

(viii) 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.

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

- 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;
- Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve-(12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- Dismissal or termination for cause as director of any corporation covered by the Code. This disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

- If the beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

### **1.2.5 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, the Corporation 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.

### **1.2.6 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.