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| 2020 REVISED MANUAL ON CORPORATE GOVERNANCE |

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SEC Registration
Number

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(F O R M E R L Y A J O N E T H O L D I N G S , I N C

(Company's Full Name)

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P A S E O D E R O X A S , M A K A T I

C I T Y

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

MAILA G. DE CASTRO

Contact Person

831-4479

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

Meeting

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**REVISED MANUAL ON CORPORATE
GOVERNANCE**

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**2020 REVISED MANUAL ON CORPORATE GOVERNANCE
(In compliance with the Revised Code of Corporate Governance,
SEC Memorandum Circular No. 24 Series of 2019)**

The Board of Directors, Management, stockholders, employees, and staff of **MARCVENTURES HOLDINGS, INC.** (formerly: AJOnet Holdings, Inc.) (“MHI” or the “Corporation”) hereby commit themselves to the fundamental principles of sound corporate governance and best practices contained in this 2020 Revised Manual of Corporate Governance (“2020 Revised Manual”), and acknowledge the same as necessary components of sound strategic business management that will guide the Corporation in the attainment of its corporate goals and in enhancing its value for the benefit of all its stakeholders.

This 2020 Revised Manual is adopted in compliance with Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 24, Series of 2019, which adopted the Code of Corporate Governance for Public Companies and Registered Issuers (hereinafter the “Code”). Consequently, this 2020 Revised Manual supersedes the Corporation’s Revised Manual on Corporate Governance adopted pursuant to SEC MC No. 19, Series of 2016 (“2016 Revised Manual”) issued on 31 May 2017.

ARTICLE 1. OBJECTIVE

Corporate Governance is the framework of rules, policies, procedures, systems and processes in the Corporation that governs the performance of the Board of Directors and Management and their respective duties and responsibilities to stockholders and other stakeholders which include, among others, creditors, employees, suppliers, investors, financiers, government and community in which it operates.

This 2020 Revised Manual shall, as a general rule, institutionalize the principles of good corporate governance in the Corporation’s entire organization.

The Board of Directors and Management, stockholders, employees, and staff believe that good 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.

The Corporation shall adhere to the principles of fairness, accountability, integrity, transparency and honesty to develop and uphold an ethical culture that will protect and promote the best interest of the Corporation for the common benefit of the Corporation’s stockholders and other stakeholders. The Corporation shall likewise adhere to the laws enfranchising its corporate existence and utility operations. As the Corporation progresses, this 2020 Revised Manual shall be kept under constant review and revision to keep abreast of the emerging and dynamic standards of good corporate governance practices.

ARTICLE 2. DEFINITION OF TERMS

For purposes of this 2020 Revised Manual, unless context requires otherwise, words importing the singular shall include the plural and vice versa, and words importing gender shall include all genders.

All doubts or questions that may arise in the interpretation or application of this 2020 Revised Manual shall be resolved in favor of promoting transparency, accountability, and fairness to the investors and other stakeholders of the Corporation.

The technical terms used in this 2020 Revised Manual shall have the following respective meanings:

- **Audit and Risk Department** - a department of the Corporation that provides independent and objective assurance services in order to add value to and improve the Corporation's operations.
- **Board of Directors (Board)**— the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- **Chairman** - a person duly elected by the members of the Board to preside over Board meetings and take on other duties, responsibilities listed under the Corporation's By-laws and its amendment/s.
- **Code** - the Code of Corporate Governance for Public Companies and Registered Issuers adopted under SEC MC No. 24, Series of 2019.
- **Corporate Governance** — the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stockholders and other stakeholders.

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

Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its stockholders, other stakeholders and the nation.

- **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.
- **Exchange** - an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.
- **Executive Director** — a director who has executive responsibility over day-to-day operations of a part or the whole of the Corporation.

- **Independent Director** – a person who is independent of Management and the controlling stockholder, 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.
- **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 Auditor** – the highest position in the Corporation responsible for internal audit activities.
- **Internal Control** – a process designed and effected by the Board, 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 Control System** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed.
- **Management** – a group of executives and officers 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.
- **Non-Audit Work** – other services offered by an external auditor to the 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.
- **Non-Executive Director** – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation.
- **Proprietary Right** – an interest, participation or privilege in a corporation which gives the holder the right to use the facilities and to receive dividends or earnings from the Corporation. Upon the liquidation of the Corporation, the holder shall have proportionate ownership rights over its assets.
- **Public Company** – a company with assets of at least Fifty Million Pesos (P50,000,000.00) and having two hundred (200) or more stockholders each holding at least one hundred (100) shares of equity securities.

- **Related Parties** – covers MHI’s directors, officers, substantial stockholders and their spouses and relatives within the fourth (4th) civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers MHI’s parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.
- **Related Party Transactions (RPTs)** – a transfer of resources, services or obligations between MHI and a Related Party, regardless of whether a price is charged. It shall 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.
- **Revised Corporation Code** - shall refer to the Revised Corporation Code of the Philippines or Republic Act (RA) No. 11232.
- **Significant Influence** - the power to participate in the financial and operating policy decisions of the Corporation but has no control or joint control of those policies.
- **Stakeholders** - any individual, organization or society at large who can either affect and/or be affected by the Corporation's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

ARTICLE 3. CORPORATE GOVERNANCE

THE BOARD'S GOVERNANCE RESPONSIBILITIES

1. Establishing a Competent Board¹

Compliance with the principles of good corporate governance shall start with the Board of Directors. The Corporation shall be headed by a competent, working board to foster its long-term success, and to sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of its stockholders and other stakeholders.

The Board is primarily responsible for the governance of the Corporation. The primary purpose of the Board revolves around governing the various businesses in which the Corporation has a direct interest. In addition, it has responsibilities to other stakeholders related to compliance with regulatory standards, the provision of appropriate information and updates, and the effective representation, protection and reputation of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

¹ Section 1 Establishing a Competent Board, SEC MC No. 24 Series of 2019

To ensure a high standard of best practice for 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.

1.1 Composition and Qualifications of the Board²

The Board shall be composed of eleven (11) directors, who are elected by the stockholders of the Corporation during its annual meeting, and shall hold office for one (1) year, until their successors are elected and qualified in accordance with the Corporation's amended By-Laws.

The membership of the Board shall be a combination of executive and a majority of non-executive directors (NEDs) including at least two (2) Independent Directors who possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board and ensure proper checks and balances, including prevention of conflicts of interest, the exercise of independent judgment on corporate affairs, proper oversight of managerial performance and balancing of competing demands of the corporation. Further, a board composition of majority of Non-Executive Directors assures protection of the Corporation's interest over the interest of the individual stakeholders.

The Board shall be composed of directors with collective working knowledge, experience or expertise that is relevant to the Corporation's industry or sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members shall remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

1.2 Chairman of the Board³

The Board shall be headed by a competent and qualified Chairman.

The roles and responsibilities of the Chairman are contained in the Board Charter and may include, among others, the following functions under the Code:

- a. Ensure that the meetings of the Board are held in accordance with the Corporation's by-laws and its amendment/s, or as the Chairman 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 President, Management and the directors;
- c. Maintain qualitative and timely lines of communication and information between the Board and Management;

² Recommendation 1.1, Section 1 Establishing a Competent Board, SEC MC No. 24 Series of 2019

³ Recommendation 1.2, Section 1 Establishing a Competent Board, SEC MC No. 24 Series of 2019

- d. Make certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- e. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- f. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- g. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- h. Assure the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- i. Make sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

1.3 Training and Orientation Programs⁴

The Corporation hereby adopts a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors, including an understanding of the contributions that the director is expected to make, an explanation of the Board and its committees, and an explanation of the Corporation's business, including corporate governance and other matters that will promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities.

The Corporation shall also provide general access to training courses to its directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Corporation's business.

The Corporation shall provide an annual continuing training program to keep the directors abreast of the latest developments in the business and regulatory environments, including emerging risks relevant to the Corporation. It may involve courses on corporate governance matters relevant to the Corporation, including audit, internal controls, risk management, sustainability and strategy.

1.4 Board Diversity⁵

A diverse Board better understands its customer base and the environment that the business operates in. The Board shall adopt a policy on board diversity to promote

⁴ Recommendation 1.3, Section 1 Establishing a Competent Board, SEC MC No. 24 Series of 2019

⁵ Recommendation 1.4, Section 1 Establishing a Competent Board, SEC MC No. 24 Series of 2019

different perspectives and ideas, and to avoid groupthink⁶ and ensure that optimal decision-making is achieved. The board diversity policy shall not be limited to gender diversity but shall also include diversity in age, ethnicity, culture, skills, regional and industry experience, background, competence and knowledge.

The Corporation recognizes and embraces the benefits of having a diverse board and sees increasing diversity at board level as an essential element in the attainment of its strategic objectives and in maintaining a prudent corporate governance.

All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge, and candidates will be considered against objective criteria, which the Board as a whole requires to be effective.

1.5 Corporate Secretary⁷

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

The Corporate Secretary is primarily responsible to the Corporation and its stockholders and not to the Chairman or President of the Corporation. His loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

Considering the varied functions and duties of the Corporate Secretary, he/she must possess administrative and interpersonal skills, and if not the general counsel, must have some legal skills, a working knowledge of the corporations of the Corporation, and shall be a citizen and resident of the Philippines.

The Corporate Secretary has, among those stated in the Corporation's By-Laws, as may be amended, the following duties and responsibilities:

- a. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b. Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
- c. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advise the Board and the Chairman on all relevant issues as they arise;

⁶ Groupthink is a mode of thinking in which individual members of small cohesive groups tend to accept a viewpoint or conclusion that represents a perceived group consensus, whether or not the group members believe it to be valid, correct, or optimal.

⁷ Recommendation 1.5, Section 1 Establishing a Competent Board, SEC MC No. 24 Series of 2019

- d. Work fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its stockholders as well as its stakeholders;
- e. Advise on the establishment of board committees and their terms of reference;
- f. Inform members of the Board, in accordance with the by-laws and its amendment/s, of the agenda of their meetings at least five (5) working days in advance prior to the date of the meeting, 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. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family, serious accidents, or other unforeseen or fortuitous event, prevent him/her from doing so;
- h. Perform required administrative functions;
- i. Oversee the drafting of the by-laws and its amendment/s and ensure that they conform with regulatory requirements; and
- j. Perform such other duties and responsibilities as may be provided by the SEC.

1.6 Compliance Officer⁸

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

The Compliance Officer is a member of the Corporation's management team in charge of the compliance function and shall have direct reporting responsibilities to the Chairman of the Board. Similar to the Corporate Secretary, he is primarily liable to the Corporation and its stockholders, and not to the Chairman or President of the Corporation.

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

The Compliance Officer has, among others, the following duties and responsibilities:

⁸ Recommendation 1.6, Section 1 Establishing a Competent Board, SEC MC No. 24 Series of 2019

- a. Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation and by-laws and its amendment/s, among others);
- b. Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c. Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- d. Ensure the integrity and accuracy of all documentary and electronic submissions to regulators as may be allowed under SEC rules and regulations;
- e. Appear before the SEC when summoned in relation to compliance with this Code;
- f. Collaborate with other departments within the Corporation 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. Ensure the attendance of board members and key officers to relevant trainings; and
- i. Perform such other duties and responsibilities as may be provided by the Board and SEC.

2. Establishing Clear Roles and Responsibilities of the Board⁹

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Corporation's Articles of Incorporation and By-laws, and its amendment/s, and other legal pronouncements and guidelines shall be clearly made known to all directors as well as to stockholders and other stakeholders.

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.

2.1 The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all stockholders and all other stakeholders¹⁰.

⁹ Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

¹⁰ Recommendation 2.1, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

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:

- a. Conduct fair business transactions for the Corporation and to ensure that his/her personal interest does not conflict with the interests of the Corporation;
- b. Devote time and attention necessary to properly and effectively;
- c. perform his/her duties and responsibilities;
- d. Act judiciously;
- e. Exercise independent judgment;
- f. Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-laws and its amendment/s, the rules and regulations of the SEC, and where applicable, the requirements of relevant regulatory agencies;
- g. Observe confidentiality; and
- h. Ensure the continuing soundness, effectiveness and adequacy of the Corporation's internal control system.

2.2 The Board shall oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation in order to sustain the Corporation's long-term viability and strength.¹¹ It shall adopt an efficient succession planning program, align the remuneration of key officers and Board members, have a board nomination and election policy, have a policy and system governing RPTs, be responsible for approving the selection and assessing the performance of the Management and control functions, establish an effective performance evaluation framework, oversee that an appropriate internal control system and a sound Enterprise Risk Management framework are in place, and have a Board Charter.

2.3 Board Succession Planning Program¹²

The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and Management to ensure the

¹¹ Recommendation 2.2, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

¹² Recommendation 2.3, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

continuous and consistent growth of the Corporation and a continued increase in the stockholders' value. This shall include adopting a retirement policy for directors and key officers

2.4 Remuneration of Key Officers and Board Members¹³

The Board shall align the remuneration of key officers and board members with the long-term interests of the Corporation. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director shall participate in the determination, discussions or deliberations of his own remuneration, per diem or compensation.

2.4.1 Compensation of Board of Directors

Executive officers are covered by standard employment contracts and can be terminated upon appropriate notice.

Non-Executive Directors are entitled to a per diem allowance of Philippine Pesos: ₱75,000.00 for each attendance in Regular Board meetings; provided that the total yearly compensation of such directors shall not exceed (10%) percent of the net income before income tax of the Corporation during the preceding year as mandated under Section 29 of the Revised Corporation Code.

2.5 Board Nomination and Election Policy¹⁴

The Board hereby adopts the following formal and transparent board nomination and election policy that shall include how it accepts nominations from its stockholders and reviews the qualifications of nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the Corporation.

2.5.1 Nomination and Election of Board of Directors

- a. The Nominations Committee shall set a reasonable period for the submission of candidates for election to the Board. All nominations for directors submitted in writing to the Nominations Committee within such nomination period shall be valid. A stockholder of record, including a minority stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated as a director.
- b. The Nominations Committee shall meet, pre-screen and check the qualifications of, and deliberate on all persons nominated to be elected to the Board from the pool of candidates submitted by the nominating

¹³ Recommendation 2.4, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

¹⁴ Recommendation 2.5, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

stockholders. The Nominations Committee shall determine that the candidates possess all the qualifications and none of the disqualifications as director or independent director as set forth in the Corporation's By-laws and its amendment/s, the succeeding sections of this 2020 Revised Manual, the Code of Corporate Governance or under the Revised Corporation Code of the Philippines, and shall prepare a final list of candidates after considering the qualifications and disqualifications set forth. Said list shall contain all the information about these nominees. No other nomination shall be entertained after the final list of candidates shall have been prepared. The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in case of non-executive directors (NEDs), the independence of mind given their responsibilities to the Board and in light of the Corporation's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth transition between board members. The process shall also include monitoring the qualifications of the directors.

- c. Based on the final list of candidates, directors are elected by stockholders individually. The vote required for the election of directors is majority of the outstanding capital stock. The election of directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.
- d. To preserve the integrity of the election process, the Corporation shall employ the services of an external party to validate the voting results.
- e. The eleven (11) directors shall be stockholders and shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and shall serve until the election and qualification of their successors.
- f. If any vacancy shall occur among the directors by death, resignation or otherwise, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders by ballot at any meeting or adjourned meeting held during such vacancy. Provided the notice of the meeting shall have mentioned such vacancy or expected vacancy. The stockholders at any such meeting may also, in case of like mention, accept the resignation of any director and fill the vacancy thereby caused for the unexpired term. In case of a vacancy in the Board, the

remaining directors shall forthwith fill the vacancy or call a special meeting of the stockholders for that purpose.

2.5.2 Qualifications of Directors

In addition to the qualifications for membership in the Board provided for in the Corporation's By-laws and its amendment/s, the Revised Corporation Code, Securities Regulation Code (SRC) and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- a. Has ownership of at least one (1) share of stock of the Corporation;
- b. At least a college graduate or has equivalent academic degree or has sufficient experience in managing the business to substitute for such formal education;
- c. Proven to possess integrity, probity and assiduousness, and the appropriate level of skill and experience in line with the strategic plans and goals of the Corporation;
- d. Has strict adherence to legal and moral principles;
- e. Has a practical understanding of the business of the Corporation;
- f. Has membership in good standing in relevant industry, business or professional organizations; and
- g. Has previous business experience.

2.5.3 Disqualification of Directors

I. Permanent Disqualification

The following shall be considered as 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 SRC; (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 Corporation, investment house or as an affiliated person of any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC 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 or as an affiliated person of any of them; (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 (a) such person is the subject of an order of the SEC, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code of the Philippines, SRC or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- c. Any person convicted by final judgment or order 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;
- d. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Revised Corporation Code, SRC or any other law, rule, regulation or order administered by the SEC or BSP;
- e. Any person judicially declared as insolvent;
- f. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- g. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code of the Philippines and SRC committed within five (5) years prior to the date of his/her election or appointment;
- h. No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes

with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

- i) if he is the owner (either of record or as beneficial owner) of five percent (5%) or more of any outstanding class of share of any corporation (other than one in which the Corporation owns at least twenty percent (20%) of the capital stock) which is engaged in a business directly competitive to that of the Corporation or any of its subsidiaries or affiliates;
 - ii) if he is an officer, manager, or controlling person of, or the owner of any member of his/her immediate family is the owner (either of record or as beneficial owner) of five percent (5%) or more of any outstanding class of share of any corporation (other than one in which the Corporation owns at least twenty percent (20%) of the capital stock) which is an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative, or judicial) by or against the Corporation, which has been actually filed or threatened, imminent or probably, to be filed;
 - iii) if he is determined by the Board, in the exercise of its judgment in good faith, to be the nominee, officer, trustee, adviser, or legal counsel, of any individual set forth in (i) or (ii) hereof; and
- i. Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, SRC and other related laws.

II. Temporary Disqualification

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

- a. Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- b. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12)-month period during the said incumbency, unless the absence is due to illness, death in the immediate family, serious accident and other unforeseen or fortuitous event. The disqualification shall apply for purposes of the succeeding election.
- c. Dismissal, termination or removal for cause as director of any publicly-listed company, public company, registered issuer of

securities and holder of a secondary license from the SEC. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal.

- d. If the beneficial equity ownership of an independent director (ID) in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is 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 disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

2.6 Related Party Transactions Policy¹⁵

In line with SEC Memorandum Circular No. 10, Series of 2019, the Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality, i.e. Ten Percent (10%) of the Corporation's Consolidated Assets.

The Board shall continue to recognize and operationalize its Material Related Party Transaction Policy as previously approved on 21 October 2019 in compliance with the SEC's Memorandum Circular No. 10, Series of 2019, and as may be further updated in line with subsequent regulatory issuances. The Corporation's Material Related Party Transaction Policy includes the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy encompasses all entities within MHI's group, taking into account their size, structure, risk profile and complexity of operations.

2.7 Selection and Assessment of Management Performance¹⁶

The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the President, and control functions led by their respective heads (Chief Risk Officer, Compliance Officer, and Internal Auditor, as may be applicable and appropriate to MHI's size, risk profile, nature and complexity of operations).

¹⁵ Recommendation 2.6, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

¹⁶ Recommendation 2.7, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

The Board shall appoint competent members of the Management at all times, monitor and assess the performance of the Management based on established performance standards that are consistent with the Corporation's strategic objectives, and conduct a regular review of the Corporation's policies with the Management. In the selection process, fit and proper standards are to be applied on key personnel and due consideration is given to integrity, technical expertise, and experience in the Corporation's business, either current or planned.

2.7.1 Chief Risk Officer (CRO)

In managing the Corporation's Risk Management System, the Corporation's Assistant Vice President (AVP) or Vice-President (VP) for Risk Management may be appointed as its 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 the Corporation'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. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- c. Collaborates with the CEO or the President 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:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

2.7.2 Chief Audit Executive (CAE)

As may be appropriate to MHI's size, risk profile, nature and complexity of operations, the Corporation shall have a qualified Chief Audit Executive (CAE) appointed by the Board who may be the Corporation's Assistant Vice President (AVP) or Vice President (VP) for Internal Audit. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, qualified independent executive or senior management personnel shall be assigned the responsibility for managing the fully outsourced internal audit activity.

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

- a. Periodically review the internal audit charter and present it to senior management and the Board Audit Committee for approval;
- b. Establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. Communicate the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- e. Report periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Present findings and recommendations to the Audit Committee and give advice to senior management and the Board on how to improve internal processes.

2.8 Performance Evaluation Framework¹⁷

The Board shall establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that the Management, including the President, and personnel's performance is at par with the standards set by the Board and Senior Management.

The results of the Performance Evaluation shall be linked to other human resource activities such as training and development, remuneration and succession planning. These should likewise form part of the assessment of the continuing fitness and propriety of management, including the President, and personnel in carrying out their respective duties and responsibilities.

2.9 Internal Control System¹⁸

The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and stockholders. The Board shall also approve the Internal Audit Charter.

In the performance of the Board's oversight responsibility, the minimum internal control mechanisms include overseeing the implementation of the key control functions, such as risk management, compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, compensation program for employees and Management succession plan.

2.10 Enterprise Risk Management¹⁹

¹⁷ Recommendation 2.8, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

¹⁸ Recommendation 2.9, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

¹⁹ Recommendation 2.10, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

The Board shall oversee that a sound Enterprise Risk Management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

Risk management policy is part and parcel of the Corporation's business strategy. The Board is responsible for defining the Corporation's level of risk tolerance and providing oversight over its risk management policies and procedures.

Subject to its size, risk profile and complexity of operations, the Corporation shall have a separate enterprise risk management function to identify, assess and monitor key risk exposures.

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 Corporation's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

2.11 Board Charter²⁰

The Board shall have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Corporation's website.

The Board Charter shall guide the directors on how to discharge their functions. It shall provide the standards for evaluating the performance of the Board. The Board Charter shall also contain the roles and responsibilities of the Chairman.

3. Establishing Board Committees²¹

²⁰ Recommendation 2.11, Section 2 Establishing Clear Roles and Responsibilities of the Board, SEC MC No. 24 Series of 2019

²¹ Section 3 Establishing Board Committees, SEC MC No. 24 Series of 2019

Board committees shall be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, functions and responsibilities of all the board committees, composition, memberships, structures, operations, reporting processes, resources and other relevant information.

3.1 Establishment of Board Committees²²

The Board shall establish board committees that focus on specific board functions to address specific tasks and responsibilities and to ensure optimal performance of its roles and responsibilities. The Board committees shall be composed only of board members.

To aid in complying with the principles of good corporate governance, the Board shall constitute the following committees, among others:

- Audit, Governance, Oversight, and Related Party Transactions Committee
- Nominations and Corporate Governance Committee
- Executive Committee

3.2 Audit, Governance, Oversight, and Related Party Transactions Committee²³

The Board may establish an Audit Committee to enhance its oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. 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 shall not be the Chairman of the Board or of any other committees.

The Audit Committee shall be responsible for overseeing the Management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee has the following duties and responsibilities, among others:

- I. Internal Audit
 - A. General Procedures

²² Recommendation 3.1, Section 3 Establishing Board Committees, SEC MC No. 24 Series of 2019

²³ Recommendation 3.2, Section 3 Establishing Board Committees, SEC MC No. 24 Series of 2019

- a. Meet internally with the Board at least every quarter without the presence of the President or other Management team members, and periodically shall meet with the head of the internal audit.
- b. Recommend the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;
- c. Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the Corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;

B. Internal Audit

- a. Oversee the IA Department, and recommend the appointment and removal of an internal audit head or CAE as well as his qualifications, and grounds for appointment and removal. The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services, if applicable;
- b. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his/her duties and responsibilities. For this purpose, he shall directly report to the Audit Committee;
- c. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- d. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;
- e. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to

his/her independence. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;

- f. Review and approve 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
 - Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- g. Review the recommendations in the External Auditor's management letter;
- h. Perform oversight functions over the Corporation's Internal and External Auditors and ensure their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- i. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- j. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders;
- k. Evaluate on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- l. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluate all 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 than similar transactions with non-related parties under similar circumstances and that no corporate or

business resources of the Corporation are misappropriated or misapplied;

C. Related Party Transactions

a. In case of the absence of an RPT Committee:

- Determine any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee shall take into account, among others, the following:
 - i) The related party's relationship to the Corporation and interest in the transaction;
 - ii) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - iii) The benefits to the Corporation of the proposed RPT;
 - iv) The availability of other sources of comparable products or services; and
 - v) An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on potential and/or actual 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 Corporation's affiliation or transactions with other related parties;
- Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures;

D. Corporate Governance

- #### a. Perform the functions of the Board Risk Oversight Committee, as provided under Section 3.4, in the absence thereof;

E. Related Party Transactions

- a. Perform the functions of the Relation Party Transactions Committee, as provided under Section 3.5, in the absence thereof;

3.3 Nominations and Corporate Governance Committee²⁴

The Board may establish a Corporate Governance Committee (CG Committee) that shall be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It shall be composed of at least three (3) directors, majority of whom should be independent directors, including the Chairman.

- 3.3.1 The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:
 - a. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity of operation and business strategy, as well as its business and regulatory environments;
 - b. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;
 - c. Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
 - d. Recommend the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
 - e. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
 - f. Propose and plan relevant trainings for the members of the Board;
 - g. Determine the nomination and election process for the Corporation's directors and defines the general profile of board members that the Corporation may need, and ensure that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election; and

²⁴ Recommendation 3.3, Section 3 Establishing Board Committees, SEC MC No. 24 Series of 2019

- h. Establish 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 business strategy as well as the business environment in which it operates.

3.4 Board Risk Oversight Committee²⁵

Subject to the Corporation's size, risk profile and complexity of operations, the Board may establish a separate Board Risk Oversight Committee (BROC) that shall be responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness. It shall be composed of at least three (3) directors, the majority of whom shall be independent directors including the Chairman who is not at the same time the Chairman of the Board or of any other Board Committee. In accordance with this, the members of the Committee may be removed or replaced, and any vacancies in the Committee shall be filled by the Board. At least one member of the BROC shall have adequate and competent understanding, and relevant thorough knowledge and experience on risk management principles and practices, in addition to thorough knowledge of the Corporation's business and industry in which it operates.

Enterprise Risk Management (ERM) is integral to an effective corporate governance process and the achievement of the Corporation'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 position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

- 3.4.1 The Board Risk Oversight Committee shall have the following duties and responsibilities:
 - a. Develop a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
 - b. Oversee the implementation of the ERM plan through a Management Risk Oversight Committee. The BROC shall conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;
 - c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC shall revisit defined risk management strategies, look for emerging or changing material

²⁵ Recommendation 3.4, Section 3 Establishing Board Committees, SEC MC No. 24 Series of 2019

exposures, and keep abreast of significant developments that seriously impact the likelihood of harm or loss;

- d. Advise the Board on its risk appetite levels and risk tolerance limits;
- e. Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Corporation;
- f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders;
- g. Oversee the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function shall include regularly receiving information on risk exposures and risk management activities from Management;
- h. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary; and
- i. Perform other duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board.

3.5 Related Party Transactions Committee

The Corporation's Related Party Transactions (RPT) Committee is mandated to review all material Related Party Transactions of the Corporation. It shall be composed of at least three (3) non-executive directors, the majority of whom, including the Chairman, shall be independent. Accordingly, the members of the Committee may be removed or replaced, and any vacancies in the Committee shall be filled by the Board. Each member shall have adequate and competent knowledge of the Corporation's business and industry in which it operates.

- 3.5.1 The Related Party Transactions Committee shall have the following duties and responsibilities, in conjunction with those contained in the Material Related Party Transaction Policy:
 - a. Evaluate 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 with counterparties (from non-related to related and vice versa) are captured. Related Parties, RPTs and changes in

relationships shall be reflected in the relevant reports to the Board and regulators/supervisors;

- b. Evaluate 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 than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation 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 RPT Committee takes into account, the following criteria in conjunction with those in the Material Related Party Transaction Policy:
 - i) The related party's relationship to the Corporation and interest in the transaction;
 - ii) The material facts of the proposed RPT;
 - iii) The aggregate value of the proposed transaction;
 - iv) The benefits to the Corporation of the proposed RPT;
 - v) The availability of other sources of comparable products or services; and
 - vi) 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 Corporation shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties;
- d. Report to the Board of Directors on a regular basis the status and aggregate exposures to each related party;
- e. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and
- g. Perform other duties and responsibilities as the RPT Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board.

3.6 Executive Committee

- 3.6.1 The Executive Committee (Ex Com) shall consist of at least three (3) members of the Board. The Board shall be appoint the members of the Ex Com, including a Chairman and a Secretary. Members of the Ex Com may be removed or replaced, and any vacancies in the Ex Com shall be filled by the Board.
- 3.6.2 The Ex Com's primary purpose is to function when the Board is not in session. It shall have all the power and authority of the Board in the governance, management and direction of the business and affairs of the Corporation and may act, by majority vote of all its members, on such specific matters within the competence of the Board, as may be delegated to it in the By-laws and its amendment/s or by majority vote of the Board, except for those matters expressly provided for in Section 34 of the Revised Corporation Code, the Corporation's By-laws and its amendment/s, and other pertinent laws, rules or regulations.
- 3.6.3 The Ex Com shall have the following roles and responsibilities;
- a. Assist the Board in overseeing the implementation of strategies and sustaining the Corporation's long-term success and competitiveness in a manner consistent with its mission/vision;
 - b. Review major issues facing the Corporation;
 - c. Monitor the operating activities of each business group;
 - d. Define and monitor the Corporation's performance improvement goals;
 - e. Define group-wide policies and actions, and oversee their implementation;
 - f. Foster the sharing of information in all areas of the business group; and
 - g. Perform other duties and responsibilities as the Ex Com may deem appropriate within the scope of its primary function or as may be assigned by the Board;
- 3.6.4 All acts of the Ex Com which are within the scope of its power shall not require ratification or approval for its validity and effectivity;
- 3.6.5 A majority of the members of the Ex Com shall determine its action and fix the time and place of its meeting, unless the Board shall provide otherwise. All actions of the Ex Com shall be reported to the Board in the meeting thereof following such action and may be subject to review, revision, revocation, or affirmation by the Board;

- 3.6.6 The Board shall have the power to change the members of the Ex Com at any time, to fill vacancies therein, or to dissolve such committee.

3.7 Committee Charters²⁶

- 3.7.1 All established committees shall have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Committee Charter shall clearly define the roles, accountabilities, powers and authority of each committee to avoid any overlapping functions, which aims at having a more effective board for the Corporation. This can also be used as basis for the assessment of committee performance.
- 3.7.2 The Charters shall provide the standards for evaluating the performance of the Committees and its members.
- 3.7.3 The Committee Charters shall be fully disclosed on the Corporation's website.

4. Fostering Commitment²⁷

To show full commitment to the Corporation, the directors shall 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.

4.1 Board Meetings²⁸

The directors shall attend and actively participate in all meetings of the Board, Committees, and stockholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family, serious accidents and other unforeseen or fortuitous event, prevent them from doing so. In Board and Committee meetings, the director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

4.2 Board Directorship²⁹

Being a director necessitates a commitment to the Corporation. Hence, there is a need to set a limit on board directorships. This ensures that the members of the board are able to sufficiently prepare for meetings, effectively commit themselves to perform their roles and responsibilities, and regularly update their knowledge and enhance their skills.

The non-executive directors of the Board shall not concurrently serve as directors to more than ten (10) public companies simultaneously. However, the maximum

²⁶ Recommendation 3.6, Section 3 Establishing Board Committees, SEC MC No. 24 Series of 2019

²⁷ Section 4 Fostering Commitment, SEC MC No. 24 Series of 2019

²⁸ Recommendation 4.1, Section 4 Fostering Commitment, SEC MC No. 24 Series of 2019

²⁹ Recommendation 4.2, Section 4 Fostering Commitment, SEC MC No. 24 Series of 2019

concurrent directorships shall be five (5) public companies if the director also sits in at least three (3) publicly-listed companies simultaneously.

The other executive directors shall submit themselves to a maximum of two (2) board seats in corporate Boards of other publicly-listed companies outside the Corporation.

In any case, the capacity of directors to serve with diligence shall not be compromised.

4.3 Notification of directorship in other corporations³⁰

A director shall exercise due discretion in accepting and holding directorships outside of the Corporation. The director shall notify the Board where he is an incumbent director before accepting a directorship in another company.

5. Reinforcing Board Independence³¹

The Board shall endeavor to exercise an objective and independent judgment on all corporate affairs.

5.1 The Board should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to carry out proper checks and balances.³²

5.2 Number of Independent Directors³³

The Board should have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

The presence of independent directors (IDs) in the Board ensures the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the corporation.

5.3 Independent Directors³⁴

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

The independent directors (IDs) need to possess a good general understanding of the industry that the Corporation engages in. Further, it is worthy to note that independence and competence should go hand-in-hand. It is therefore important that the non-executive directors, including IDs, possess the qualifications and stature that

³⁰ Recommendation 4.3, Section 4 Fostering Commitment, SEC MC No. 24 Series of 2019

³¹ Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

³² Recommendation 5.1, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

³³ Recommendation 5.2, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

³⁴ Recommendation 5.3, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

would enable them to effectively and objectively participate in the deliberations of the Board.

An Independent Director refers to a person who, ideally:

- a. Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
- b. Is not, and has not been in the three (3) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial stockholders and its related companies;
- c. Has not been appointed in the Corporation, 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 two (2) years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial stockholders of the Corporation or any of its related companies or of any of its substantial stockholders. For this purpose, 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 Corporation or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial stockholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself/herself or with other persons or through a firm of which he is a partner, director or substantial stockholder, in any transaction with the Corporation or

any of its related companies or substantial stockholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his/her independent judgment within two (2) years immediately preceding the date of his election;

- j. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial stockholders; and
- k. Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Related companies, as used in this section, refer to (a) the Corporation's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company

5.4 Term of Independent Directors³⁵

The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the same Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation intends to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek stockholders' approval during the annual stockholders' meeting.

5.5 The President³⁶

The positions of Chairman and President shall, as much as practicable, be held by separate individuals to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making. A clear delineation of functions and responsibilities shall be made between the Chairman and President upon their election.

In addition to the duties imposed on the President by the Board, and those duties and responsibilities provided by the Corporation's By-laws and its amendment/s, the President shall:

- a. Implement the Corporation's strategic plan on the direction of the business;
- b. Communicate and implement the Corporation's vision, mission, values and overall strategy as formulated by the Board and promote any organization or stakeholder change in accordance with the same;
- c. Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;

³⁵ Recommendation 5.4, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

³⁶ Recommendation 5.5, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

- d. Have a 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;
- i. Serve as the link between internal operations and external stakeholders;
- j. Perform such other responsibilities as the Board may impose.

5.6 Lead Director³⁷

The Board shall designate a lead director in cases where the Chairman is not independent and the Chairman of the Board and President are held by one person.

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

- a. Serve as an intermediary between the Chairman and the other directors when necessary;
- b. Convene and chair meetings of the non-executive directors; and
- c. Contribute to the performance evaluation of the Chairman, as required.

5.7 Directors with material interest in any transaction³⁸

A director with a material or potential interest in any transaction affecting the Corporation shall fully disclose his/her adverse interest, abstain from taking part in the deliberations for the same and refuse from voting on the approval of the transaction.

5.8 Separate Periodic Meetings of NEDs³⁹

The non-executive directors (NEDs) shall constructively scrutinize the Management's performance, particularly in meeting the Corporation's goals and objectives. Further, they should satisfy themselves on the integrity of the Corporation's internal controls and the effectiveness of the risk management system. They shall have separate

³⁷ Recommendation 5.6, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

³⁸ Recommendation 5.7, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

³⁹ Recommendation 5.8, Section 5 Reinforcing Board Independence, SEC MC No. 24 Series of 2019

periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. If the Corporation has a lead independent director, he shall lead and preside over the meeting.

6. Assessing Board Performance⁴⁰

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

6.1 The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.⁴¹

6.2 The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system shall allow for a feedback mechanism from the stockholders. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's Annual Report or in such form of report that is applicable to the Corporation. The adoption of this performance evaluation system must be covered by a Board approval.⁴²

6.3 During the evaluation, directors shall be afforded the opportunity to identify areas for improvement in the performance of their duties and responsibilities.

7. Strengthening Board Ethics⁴³

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

7.1 The Board shall 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 of Board members. The Code shall be properly disseminated to the members of the Board, senior management and employees. It shall also be disclosed and made available to the public through the Corporation's website.⁴⁴

7.2 The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies. The Corporation's Code of Ethics shall be made effective and inculcated in the Corporation's culture through a communication and awareness campaign, continuous training to reinforce the code, strict monitoring and implementation and setting in place proper avenues where issues may be raised and addressed without fear of retribution.⁴⁵

⁴⁰ Section 6 Assessing Board Performance, SEC MC No. 24 Series of 2019

⁴¹ Recommendation 6.1, Section 6 Assessing Board Performance, SEC MC No. 24 Series of 2019

⁴² Recommendation 6.2, Section 6 Assessing Board Performance, SEC MC No. 24 Series of 2019

⁴³ Section 7 Strengthening Board Ethics, SEC MC No. 24 Series of 2019

⁴⁴ Recommendation 7.1, Section 7 Strengthening Board Ethics, SEC MC No. 24 Series of 2019

⁴⁵ Recommendation 7.2, Section 7 Strengthening Board Ethics, SEC MC No. 24 Series of 2019

DISCLOSURE AND TRANSPARENCY⁴⁶

8. Enhancing Corporation Disclosure Policies and Procedures

The Board shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

8.1 The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to stockholders and other stakeholders that gives a fair and complete picture of a Corporation's financial condition, results and business operations.⁴⁷

8.2 The Corporation shall have a policy requiring all directors and officers to disclose/report to the Corporation any dealings in the Corporation's shares within five (5) business days.⁴⁸

8.3 The Corporation's corporate governance policies, programs and procedures shall be contained in its 2020 Revised Manual on Corporate Governance, which should be submitted to the SEC and posted on the Corporation's website.⁴⁹

The Manual should contain the following, among others:

- a) A policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors;
- b) Policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same;
- c) Policies governing RPTs and other unusual or infrequently occurring transactions, as well as the review and approval of material and significant RPTs, geared towards the prevention of abusive dealings and transactions and the promotion of transparency. These policies include ensuring that transactions occur at market prices and under conditions that protect the rights of all shareholders;
- d) Policies on full, fair, accurate and timely disclosure to the public of every material fact or event that occurs in the company, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders/members and other stakeholders, which includes policy on the appointment an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;
- e) Alternative dispute mechanism(s) to resolve intra-corporate disputes in an amicable and effective manner;
- f) Policies on formal and transparent board nomination and election policy;
- g) Basic shareholder/member rights; and

⁴⁶ Section 8 Disclosure and Transparency, SEC MC No. 24 Series of 2019

⁴⁷ Recommendation 8.1, Section 8 Disclosure and Transparency, SEC MC No. 24 Series of 2019

⁴⁸ Recommendation 8.2, Section 8 Disclosure and Transparency, SEC MC No. 24 Series of 2019

⁴⁹ Recommendation 8.3, Section 8 Disclosure and Transparency, SEC MC No. 24 Series of 2019

- h) Qualifications and grounds for disqualification of directors.

8.4 The Corporation shall disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report, which should be submitted to the SEC, and continuously updated and posted on the Corporation's website.⁵⁰

The Annual Corporate Governance Report (ACGR) is intended to be a comprehensive report containing all of the Corporation's pertinent corporate governance information.

The ACGR should contain the following disclosures, among others:

- a. A policy on disclosure of all relevant and material information on individual directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest that might affect their judgment as prescribed under Rule 12 Annex C of the SRC;
- b. Board and executive remuneration, as well as the level and mix of the same;
- c. Accurate disclosure to the public of every material fact or event that occurs in the Corporation, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its stockholders and other stakeholders, which includes policy on the appointment of an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;
- d. The non-audit work, if any, of the External Auditor, the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses;
- e. The attendance record of the Corporation's directors for the previous year; and
- f. Other information that the SEC or other regulatory agencies, may, from time to time require disclosure of.

9. Strengthening the External Auditor's Independence and Improving Audit Quality⁵¹

The Corporation shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality

9.1 The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor

⁵⁰ Recommendation 8.4, Section 8 Disclosure and Transparency, SEC MC No. 24 Series of 2019

⁵¹ Section 9 Strengthening the External Auditor's Independence and Improving Audit Quality, SEC MC No. 24 Series of 2019

shall be recommended by the Audit Committee and approved by the Board and the stockholders. For the removal or change in the external auditor, the reasons for removal or change shall be disclosed to the SEC, the stockholders, and the public through the Corporation's website and other required disclosures.⁵²

9.2 The Audit Committee Charter shall include the Audit Committee's responsibility on assessing the integrity and independence of external auditors 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 shall also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.⁵³

The Audit Committee Charter shall include a disclosure of its responsibility on assessing the integrity and independence of the external auditor. It shall establish detailed guidelines, policies and procedures that may be contained in a separate memorandum or document.

9.3 The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflict of interest. The Audit Committee shall 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.⁵⁴

10. Increasing Focus on Non-Financial and Sustainability Reporting⁵⁵

The Board shall ensure that the Corporation discloses material and reportable non-financial and sustainability issues.

10.1 The Corporation shall have a clear and focused strategy on the disclosure of non-financial information. It shall disclose to all stockholders and other stakeholders the Corporation's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business which underpin sustainability.⁵⁶

11. Promoting a Comprehensive and Cost-Efficient Access to Relevant Information.⁵⁷

⁵² Recommendation 9.1, Section 9 Strengthening the External Auditor's Independence and Improving Audit Quality, SEC MC No. 24 Series of 2019

⁵³ Recommendation 9.2, Section 9 Strengthening the External Auditor's Independence and Improving Audit Quality, SEC MC No. 24 Series of 2019

⁵⁴ Recommendation 9.3, Section 9 Strengthening the External Auditor's Independence and Improving Audit Quality, SEC MC No. 24 Series of 2019

⁵⁵ Section 10 Increasing Focus on Non-Financial and Sustainability Reporting, SEC MC No. 24 Series of 2019

⁵⁶ Recommendation 10.1, Section 10 Increasing Focus on Non-Financial and Sustainability Reporting, SEC MC No. 24 Series of 2019

⁵⁷ Section 11 Promoting a Comprehensive and Cost-Efficient Access to Relevant Information, SEC MC No. 24 Series of 2019

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

11.1 The Corporation shall have a website to ensure a comprehensive, cost-efficient communication channel for disseminating relevant information.⁵⁸

The Corporation recognizes that a website that is easily accessible and user-friendly with a dedicated section for corporate governance, is a practical and cost-efficient way of communication. It can provide timely and up-to-date information relevant to investors and other interested stakeholders.

The Corporation's website shall contain, among others, the Manual on Corporate Governance, Annual Corporate Governance Report, Board Charter, Committee Charters, the Corporation's Code of Business Conduct and Ethics.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

12. Strengthening the Internal Control System and Enterprise Risk Management Framework

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Corporation shall have a strong and effective internal control system and enterprise risk management framework.⁵⁹

12.1 The Corporation shall 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.⁶⁰

An effective internal control system embodies the Management's oversight and control culture, risk recognition and assessment, control activities, information and communication, monitoring activities and correcting deficiencies. An effective ERM framework typically includes activities such as, identification, sourcing, measurement, evaluation, mitigation and monitoring of risk.

12.2 The Corporation shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations.⁶¹

The following are the functions of the internal audit, among others:

⁵⁸ Recommendation 11.1, Section 11 Promoting a Comprehensive and Cost-Efficient Access to Relevant Information, SEC MC No. 24 Series of 2019

⁵⁹ Section 12 Strengthening the Internal Control System and Enterprise Risk Management Framework, SEC MC No. 24 Series of 2019

⁶⁰ Recommendation 12.1, Section 12 Strengthening the Internal Control System and Enterprise Risk Management Framework, SEC MC No. 24 Series of 2019

⁶¹ Recommendation 12.2, Section 12 Strengthening the Internal Control System and Enterprise Risk Management Framework, SEC MC No. 24 Series of 2019

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

CULTIVATING A SYNERGIC RELATIONSHIP WITH STOCKHOLDERS

13. Promoting Stockholder Rights⁶²

The Corporation shall treat all stockholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

13.1 The Board shall ensure that basic stockholder rights are disclosed in the Manual on Corporate Governance.⁶³

Stockholders of the Corporation shall generally have the following rights, among others:

- a. Right to participate in the approval of material corporate acts;
- b. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Stockholders' Meeting;

⁶² Section 13 Promoting Stockholder Rights, SEC MC No. 24 Series of 2019

⁶³ Recommendation 13.1, Section 13 Promoting Stockholder Rights, SEC MC No. 24 Series of 2019

- c. Right to nominate candidates to the Board of Directors;
- d. Right to be informed of the nomination and removal process; and
- e. Right to be informed of the voting procedures that would govern the Annual and Special Stockholders' Meeting.

Moreover, stockholders have the following additional rights:

- a. Pre-emptive right in accordance with Section 38 of the Revised Corporation Code

All stockholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto.

Under the Amended Article of Incorporation of the Corporation dated December 29, 2017, no stockholder shall, because of his/her ownership, have pre-emptive or other right to purchase, subscribe for or take any part of any stock or of any other securities convertible into or carrying options or warrant to purchase stock of the Corporation, whether out of its unissued authorized capital stock of the Corporation, whether out of its unissued authorized capital stock or any future increases thereof. Any part of such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Corporation pursuant to the resolution of its Board of Directors, to such persons and upon such terms the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders

- b. Right to dividends in accordance with Section 42 of the Revised Corporation Code

Further, according to Article VI of the Amended By-Laws of the Corporation dated May 29, 2015, the Board of Directors may declare dividends only from the surplus profits arising from the business of the Corporation. Provided, however, that no stock or bond dividend shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of all stock then outstanding and entitled to vote at the general or special meeting called for the purpose.

- c. Appraisal right in accordance with Section 80 of the Revised Corporation Code

Any stockholder shall have appraisal right or the right to dissent and demand payment of the fair value of his/her shares in the manner provided for under Section 81 of the Revised Corporation Code under any of the following circumstances provided for under Section 80 of the Revised Corporation Code.

Stockholders are encouraged to participate when given sufficient information prior to voting on fundamental corporate changes such as: (1) amendments to the Articles of Incorporation and By-Laws of the Corporation and its amendment/s; and (2) extraordinary transactions, including the transfer of all or substantially all assets that, in effect, results in the sale of the Corporation. Stockholders shall also be informed before major changes in the business operation of the Corporation happens. In addition, the disclosure and clear explanation of voting procedures, as well as the removal of excessive or unnecessary costs and other administrative impediments, allow for the effective exercise of stockholders' voting rights. Poll voting is highly encouraged as opposed to the show of hands. Proxy voting is also recognized as a good practice, including the electronic distribution of proxy materials.

The right to propose the holding of meetings and items for inclusion in the agenda is given to all stockholders. However, to prevent the abuse of this right, the Corporation may require that the proposal be made by stockholder holding a specified percentage of shares or voting rights. On the other hand, to ensure that minority stockholders are not effectively prevented from exercising this right, the degree of ownership concentration is considered in determining the threshold.

Lastly, all stockholders must be given the opportunity to nominate candidates to the Board of Directors and/or cause the removal of any member thereof in accordance with the existing laws. The procedures of the nomination and removal process are expected to be discussed clearly by the Board. The Corporation is encouraged to fully and promptly disclose all information regarding the expertise, experience and background of the candidates to enable the stockholders to study and conduct their own background check as to the candidates' qualification and credibility.

13.2 Notice of Stockholders' Meetings⁶⁴

The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are found must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

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

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

⁶⁴ Recommendation 13.2, Section 13 Promoting Stockholder Rights, SEC MC No. 24 Series of 2019

The Board shall encourage active stockholder participation by sending the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at least twenty-one (21) days before the meeting.

Required information in the notice include, among others, the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated upon and approved or ratified at the meeting.

13.3 Publication of the Results of the Votes⁶⁵

The Board shall encourage active stockholder participation by making the result of the votes on matters taken during the most recent Annual or Special Stockholder' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Stockholders' Meeting shall be available on the Corporation's website within five (5) business days from the end of the meeting.

Voting results shall include a breakdown of the approving and dissenting votes on the matters raised during the Annual or Special Stockholders' Meeting. When a substantial number of votes have been cast against a proposal made by the Corporation, it may make an analysis of the reasons for the same and consider having a dialogue with its stockholders.

The minutes of the meeting includes the following matters: (1) A description of the voting and vote tabulation procedures used; (2) the opportunity given to stockholders to ask questions, as well as a record of the questions asked and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the directors, officers and stockholder who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

13.4 Alternative Dispute Mechanism of Intra-Corporate Disputes⁶⁶

It is the responsibility of the Board of Directors to establish and make available, at the option of a stockholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

As such, the Board of Directors may engage the services of a neutral third party to assist in the resolution of issues between the Corporation and stockholders, third parties and regulatory authorities. The alternative dispute mechanism may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Corporation and the circumstances sees fit.

13.5 Investor Relations Office (IRO) or Customer Relations Office (CRO)⁶⁷

The Board shall establish an IRO or CRO or its equivalent to ensure constant engagement and communication with its stockholders. The IRO or CRO or its equivalent shall be present at every stockholders' meeting.

⁶⁵ Recommendation 13.3, Section 13 Promoting Stockholder Rights, SEC MC No. 24 Series of 2019

⁶⁶ Recommendation 13.4, Section 13 Promoting Stockholder Rights, SEC MC No. 24 Series of 2019

⁶⁷ Recommendation 13.5, Section 13 Promoting Stockholder Rights, SEC MC No. 24 Series of 2019

The IRO/CRO shall have a designated investor/customer relations officer, email address and telephone number.

DUTIES TO STAKEHOLDERS

14. Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights⁶⁸

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

14.1 The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability.⁶⁹

The Corporation shall continue to recognize that the stakeholders in corporate governance include, but are not limited to the, customers, employees, suppliers, stockholders, members, non-proprietary rights holders, investors, creditors, the community the Corporation operates in, society, government, regulators, competitors, external auditors, etc.

14.2 The Board shall establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders.⁷⁰

The Corporation shall likewise recognize holders of non-proprietary right. These holders have no participation in the management of the affairs and assets of the Corporation, but they have rights over the use and enjoyment of the property of the Corporation subject to the agreed terms and conditions. As such, non-proprietary right holders enjoy contractual rights which must be respected and upheld by the Board and the Management. Non-proprietary right holders enjoy the following rights:

- a. Rights over the use and enjoyment of the corporate property subject to terms and conditions as may be provided in the articles of incorporation, by-laws and its amendment/s and membership certificates;
- b. The right to be informed of any material transaction or undertaking by the Corporation, which may substantially affect the use and enjoyment of the corporate property over which the member holds non-proprietary rights; and

⁶⁸ Section 14 Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights, SEC MC No. 24 Series of 2019

⁶⁹ Recommendation 14.1, Section 14 Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights, SEC MC No. 24 Series of 2019

⁷⁰ Recommendation 14.2, Section 14 Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights, SEC MC No. 24 Series of 2019

- c. The right to seek redress for any violation of the aforementioned rights.

15. Encouraging Employees' Participation⁷¹

A mechanism for employee participation shall be developed to create a symbiotic working environment consistent with the realization the Corporation's objectives and good corporate governance processes.

15.1 The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance.⁷²

15.2 Anti-Corruption Policy and Program⁷³

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through orientations and continuous trainings to embed them in the Corporation's culture.

15.3 Whistleblowing Policy and Procedures⁷⁴

The Board shall establish and maintain a suitable framework for whistleblowing that allows the 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 separate unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing and maintaining the framework, as well as in supervising and ensuring its enforcement.

16. Encouraging Sustainability and Social Responsibility⁷⁵

It is the policy of the Corporation to create shared value for its Shareholders, customers, and employees and be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

16.1 The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial

⁷¹ Section 15 Encouraging Employees' Participation, SEC MC No. 24 Series of 2019

⁷² Recommendation 15.1, Section 15 Encouraging Employees' Participation, SEC MC No. 24 Series of 2019

⁷³ Recommendation 15.2, Section 15 Encouraging Employees' Participation, SEC MC No. 24 Series of 2019

⁷⁴ Recommendation 15.3, Section 15 Encouraging Employees' Participation, SEC MC No. 24 Series of 2019

⁷⁵ Section 16 Encouraging Sustainability and Social Responsibility, SEC MC No. 24 Series of 2019

relationship that allows the Corporation advancement to grow its business, while contributing to the of the society where it operates.⁷⁶

The Corporation's value chain consists of inputs to the production process, the production process itself and the resulting output. Sustainable development means that the Corporation not only complies with existing regulations, but also voluntarily employs value chain processes which take into consideration economic, environmental, social and governance issues and concerns with the end goal of promoting long-term sustainable livelihood opportunities for its host communities. In considering sustainability developments, the Corporation plays an indispensable role alongside the government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment, and climate change.

COMMUNICATION AND MONITORING OF THIS MANUAL

17. Communication

17.1 This 2020 Revised Manual shall be available for inspection by any stockholder of the Corporation during office hours.

17.2 All directors, officers, division and department heads are tasked to ensure thorough dissemination of this 2020 Revised Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

17.3 An adequate number of printed copies of this 2020 Revised Manual shall be reproduced under the supervision of the Corporate Governance Department, with a minimum of at least one (1) hard copy of the 2020 Revised Manual per department.

17.4 This 2020 Revised Manual shall be subject to annual review unless the same frequency is amended by the Board.

17.5 If necessary, funds shall be allocated by the Corporation for the purpose of conducting an orientation program or workshop to operationalize this 2020 Revised Manual.

18. Monitoring and Penalties for Non-Compliance

18.1 All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this 2020 Revised Manual shall be revoked unless upgraded to be compliant with this 2020 Revised Manual.

18.2 The Corporation shall establish an evaluation system to determine and measure compliance with the 2020 Revised Manual. Violation thereof or non-compliance shall be subject to penalty as maybe determined by the Board of Directors ranging from reprimand to removal from office.

⁷⁶ Recommendation 16.1, Section 16 Encouraging Sustainability and Social Responsibility, SEC MC No. 24 Series of 2019

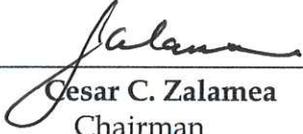
18.3. The Compliance Officer shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman the impossible penalty for such violation, for further review and approval of the Board.

19. Effectivity

This 2020 Revised Manual on Corporate Governance has been approved by the Corporate Governance Committee on 8 July 2020 pursuant to the authority provided by the Board on 26 June 2020.

Pursuant to the requirement of the Securities and Exchange Commission, this 2020 Revised Manual on Corporate Governance is signed on behalf of the registrant by the undersigned; thereunto duly authorized, in the City of Makati on JUL 09 2020;

Signatures


Cesar C. Zalamea
Chairman


Maila Lourdes G. de Castro
Co-Assistant Corporate Secretary/
Co-Compliance Officer

SUBSCRIBED AND SWORN to before me this JUL 09 2020 day of _____, 2020, affiants exhibiting to me their valid identification, as follows:

| NAME | VALID IDENTIFICATION | DATE and/or PLACE OF ISSUE |
|----------------------------|----------------------|----------------------------|
| Cesar C. Zalamea | TIN NO. 137-712-551 | |
| Maila Lourdes G. de Castro | DL NO. N02-95-296472 | exp. 2021-10-18 |

Notary Public

Doc. No. 173 ;
Page No. 36 ;
Book No. 1 ;
Series of 2020;


REUBEN CARLO O. GENERAL
Notary Public for Makati City
Appt. No. M-136 Until 31 Dec. 2021
Roll of Attorneys No. 59087
IBP Membership No. 100789:01/03/2020
TIN No. TKT-8116378MG:01/03/2020
M^C Compliance No. VI-0021476:03/26/2019
4F Office: 8741 Paseo de Roxas, Makati City