

# FILINVEST LAND, INC.

79 EDSA, Highway Hills  
Mandaluyong City, Metro Manila  
Trunk line: (632) 918-8188  
Customer hotline: (632) 588-1688  
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www.filinvestland.com

30 July 2014

## THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **MS. JANET A. ENCARNACION**  
Head – Disclosure Department

## PHILIPPINE DEALING & EXCHANGE CORP.

37/F, Tower 1, The Enterprise Center  
6766 Ayala Ave. cor. Paseo de Roxas, Makati City

Attention: **MS. VINA VANESSA S. SALONGA**  
Head - Issuer Compliance and Disclosure Department (ICDD)

Re : **AMENDED REVISED MANUAL  
ON CORPORATE GOVERNANCE**

**Dear Ms. Encarnacion and Ms. Salonga:**

In compliance with SEC Memorandum Circular No. 9, Series of 2014, we are submitting herewith the amended Revised Manual on Corporate Governance of Filinvest Land, Inc. which includes provisions on stakeholders.

Thank you very much.

Very truly yours,



**SHARON P. PAGALING-REFUERZO**

Corporate Information Officer



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30 July 2014

**Corporate Governance and Finance Department**  
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
Mandaluyong City

Attention: **ATTY. JUSTINA F. CALLANGAN**  
Director

Re : **AMENDED REVISED MANUAL  
ON CORPORATE GOVERNANCE**

**Dear Atty. Callangan:**

In compliance with SEC Memorandum Circular No. 9, Series of 2014, we are submitting herewith the amended Revised Manual on Corporate Governance of Filinvest Land, Inc. which includes provisions on stakeholders.

Thank you very much.

Very truly yours,



**ELMA CHRISTINE R. LEOGARDO**  
Acting Corporate Secretary and Compliance Officer

# FILINVEST LAND, INC.

## REVISED MANUAL ON CORPORATE GOVERNANCE

(as amended on 15 July 2014)

### I. PREFATORY STATEMENT

Pursuant to SEC Memorandum Circular No. 9, Series of 2014, the Board of Directors and Management of Filinvest Land, Inc. ("Corporation") hereby establish and adopt its updated corporate governance rules and commit themselves to the principles and best practices contained in this Revised Manual in the pursuit of the Corporation's goals.

### II. OBJECTIVE

This Revised Manual institutionalizes the principles of good corporate governance in the entire organization. The Board of Directors and Management of the Corporation recognize and affirm that good corporate governance is a necessary component of what constitutes sound strategic business management. Accordingly, every effort necessary to create awareness of good corporate governance within the organization shall be undertaken henceforth.

### III. COMPLIANCE SYSTEM

#### A. Compliance Officer

To insure adherence to corporate principles and best practices, the **Board shall appoint** a Compliance Officer who shall hold the position of **at least** a Vice President or its equivalent. He/She shall have direct reporting responsibilities to the Chairman of the Board.

The Compliance Officer shall perform the following duties:

- A.1 Monitor compliance with the provisions and requirements of this Manual;
- A.2 Appear before the Securities and Exchange Commission (the "Commission") upon summons on similar matters that need to be clarified by the same;
- A.3 Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- A.4 Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- A.5 Identify and monitor compliance with the rules and regulations of regulatory agencies, and take appropriate corrective measures to address all regulatory issues and concerns.

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

addressed to said Officer.

The Compliance Officer may concurrently occupy other positions in the Corporation. No additional compensation shall be paid to the officer who is also the Compliance Officer.

## **B. Board of Directors**

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

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 shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board shall provide an independent check on management. As such, it is vitally important that a number of board members be independent from management.

### **B.1) Composition of the Board**

The Board shall be composed of at least five (5) but not more than fifteen (15) members elected by shareholders. The Corporation, being a publicly-listed company, shall have at least two (2) independent directors or such independent directors as shall constitute at least twenty percent (20%) of the members of such Board, whichever is lesser.

The election, qualifications and disqualifications of the independent directors shall be in accordance with the amended by-laws of the Corporation.

The Board shall include a balance of executive and non-executive directors (including independent non-executives), having a clear division of responsibilities such that no individual or small group of individuals can dominate the Board's decision making.

The non-executive directors should be of sufficient qualifications, stature and number to carry significant weight in the Board's decisions. Non-executive directors considered by the Board to be independent shall be identified in the annual report.

### **B.2) General Responsibilities of the Board of Directors**

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

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

### B.3) Specific Duties and Functions of the Board of Directors

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board will conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities which include, among others, the following:

- a. Install a process of selection to ensure a mix of competent directors and officers.
- b. Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- c. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.
- d. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.
- e. Adopt a system of internal checks and balances.
- f. Identify key risk areas and key performance indicators and monitor these factors with due diligence.
- g. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted.
- h. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulations.
- i. Periodically evaluate and monitor implementation of strategies and policies, business plans and operating budgets, as well as management's over-all performance to ensure optimum results.
- j. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures and establish programs that can sustain its long-term viability and strength.
- k. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- l. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities.
- m. Appoint a Compliance Officer who shall have the rank of at least Vice President.

#### B.4) Duties and Responsibilities of a Director

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

- a. To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- b. To devote time and attention necessary to properly discharge his duties and responsibilities;
- c. To act judiciously;
- d. To exercise independent judgment;
- e. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
- f. To observe confidentiality;
- g. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

#### B.5) Internal Control Responsibilities of the Board

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

- a. The minimum internal control mechanisms for the Board's oversight responsibility may include:
  - Defining the duties and responsibilities of the CEO
  - Selecting or approving an individual with appropriate ability, integrity and experience to fill the CEO role
  - Reviewing proposed senior management appointments
  - Ensuring the selection, appointment and retention of qualified and competent management
  - Reviewing the company's personnel and human resource policies and

sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers, and management succession plan

- b. The minimum internal control mechanisms for management's operational responsibility would center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

#### B.6) Board Meetings and the Quorum Requirement

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

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

The Corporation shall submit to the Commission a sworn certification on the directors' record of attendance in Board meetings in a particular year, on or before January 30 of the following year.

#### B.7) Remuneration of the Members of the Board and Officers

Levels of remuneration shall be sufficient to attract and retain the directors, if any, and officers needed to run the Corporation successfully. The Corporation should, however, avoid paying more than what is necessary for this purpose. A proportion of executive directors' remuneration may be structured so as to link rewards to corporate and individual performance.

The Corporation's annual reports, information and proxy statements shall include a clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly to all individuals serving as the CEO or acting in a similar capacity during the last completed fiscal year, regardless of the compensation level, and the Corporation's four (4) most highly compensated executive officers other than the CEO who were serving as the CEO or acting in a similar capacity during the last completed year.

#### B.8) The Chairman and the Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer ("CEO") shall as far as practicable be separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Corporation shall disclose the relationship between the Chairman and the CEO upon their election.

Where both positions of the Chairman and CEO are unified, there is clearly one leader to provide a single vision and mission. In this instance, checks and balances should be clearly provided to help ensure that independent outside views, perspectives, and judgments are given proper hearing in the Board.



## **C. Board Committees**

The Board shall constitute committees in aid of good corporate governance:

### **C.1 Audit Committee**

The Board shall constitute an Audit Committee to be composed of at least three (3) Director-members, preferably with accounting and financial background, one of which shall be an independent director and another should have related audit experience.

The Chairman of this Committee should be an independent director. He should be responsible for inculcating in the minds of Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

#### **a. Duties and Responsibilities**

- Provide oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;
- Provide oversight of the Corporation's internal and external auditors;
- Review and approve audit scope and frequency, and the annual internal audit plan;
- Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one (1) audit firm is involved;
- Set up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any question of resignation or dismissal;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system;
- Receive and review reports of internal and external auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions, in a timely manner, in addressing control and compliance functions with regulatory agencies;
- Review the quarterly, half-year and annual financial statements before submission to the Board with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements

- Coordinate, monitor, and facilitate compliance with existing laws, rules and regulations;
- Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation's total expenditure on consultancy. The non-audit work should be disclosed in the Annual Report.
- Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the audit Committee functionally. The Audit committee shall ensure that the internal auditors shall have free and full access to the Corporation's records, properties and personnel relevant to the internal audit activity, and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results, and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

## **C.2 Nomination Committee**

The Board may constitute a Nomination Committee consisting of at least three (3) Director-members, one of which shall be an independent director. The Head of the Human Resources Department shall be a non-voting ex-officio member.

The Nomination Committee may review and evaluate the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board, and provide assessment on the Board's effectiveness in directing the process of renewing and replacing the Board's members.

The Nomination Committee may consider the following guidelines in the determination of the number of directorships for the Board:

- The nature of the business of the Corporation of which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

The Nomination committee may pre-screen and shortlist all candidates nominated to become a member of the Board of Directors, taking into account the following qualifications and disqualifications:

Qualifications

- (1) Holder of at least one (1) share of stock of the Corporation;
- (2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- (3) He shall be at least twenty one (21) years old;
- (4) He shall have proven to possess integrity and probity; and
- (5) He shall be assiduous.

Permanent Disqualifications

- (1) 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;
- (2) Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- (3) Any person judicially declared to be insolvent;
- (4) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- (5) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment;
- (6) Any person finally convicted judicially or order by an administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, future commission merchant, commodity trading advisor, or floor broker, or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (7) Any person, who, by reason of misconduct, is enjoined by final judgment or order of the Commission or any court or administrative body of competent

jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or has otherwise been restrained to engage in any activity involving securities and banking, or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership participation or association with a member or participant of the organization.

- (8) All other grounds for disqualification under the Articles of Incorporation and By-Laws of the Corporation.

#### Temporary Disqualifications

- (1) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- (2) Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) months period during said incumbency. This disqualification applies for purposes of the succeeding election;
- (3) Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- (4) Being under preventive suspension by the Corporation;
- (5) If the independent director becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director;
- (6) Conviction that has not yet become final referred to in the grounds for disqualification of directors.

### **C.3 Compensation Committee**

The Board may constitute a Compensation Committee composed of at least three (3) Director-members, one of which shall be an independent director.

#### **Duties and Responsibilities**

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

### **D. Supply Information**

In order to fulfill their responsibilities, Board Members should be provided with complete, adequate and timely information prior to Board meetings on an ongoing basis.

Management has an obligation to supply the Board with complete, adequate information in a timely manner. The Board shall have separate and independent access to the Corporation's senior management.

The information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly interim financial statements. With respect to the budget, any variance between the projections and actual results should also be disclosed and explained.

Directors shall have a separate and independent access to the Corporate Secretary. The role of the Corporate Secretary should be clearly defined and should include responsibility for ensuring that Board procedures are being followed and that applicable rules and regulations are complied. The Corporate Secretary should attend all board meetings.

The Board should have a procedure for directors, either individually or as a group, for the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense.

## **E. Accountability and Audit**

**E.1** The Board is primarily accountable to the shareholders and Management is primarily accountable to the Board. The Board should provide the shareholders with a balanced and understandable assessment of the Corporation's performance, position and prospects on a quarterly basis. The Management should provide all members of the Board with a balanced and understandable account of the Corporation's performance, position and prospects on a monthly basis. This responsibility should extend to interim and other price sensitive public reports and reports to regulators (if required). It should be primarily responsible in making financial reporting and internal control in accordance with the following guidelines.

- a. Present a balanced and understandable assessment of the Corporation's position and prospects. The Board's responsibility to present a balanced and understandable assessment should extend to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
- b. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
- c. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- d. Maintain a sound and effective system of internal control to safeguard stakeholders' investment and the Corporation's assets for the benefit of all stockholders and other stakeholders;
- e. Based on the approved audit plans, scope and frequency of audits, ensure that the internal audit examinations cover, at least, the evaluation of the adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
- f. Ensure that the Corporation consistently complies with the financial reporting requirements of the Commission.
- g. Require the chief executive to render to the Audit Committee and senior management an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee of the Board. Such annual report should include

significant risk exposures and control issue, corporate governance issues, and other matters needed or requested by the Board and senior management. The chief audit executive's annual report shall likewise be made available to the stockholders of the company. Internal auditors shall report that their activities are "conducted in accordance with the Standards for Professional Practice of the Internal Auditing". Otherwise, the chief audit executive shall disclose to the Board and senior management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.

- h. The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.

**E.2** The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

## **F. The Corporate Secretary**

The Corporate Secretary is an officer of the Corporation. His loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

### **Duties and Responsibilities**

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;

- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- Attend all Board meetings and maintain records of the same;
- Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;
- Work fairly and objectively with the Board, Management, stockholders and other stakeholders; and
- Have a working knowledge of the operations of the Corporation.

#### **G. Internal Auditor**

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

The Internal Auditor shall report to the Audit Committee.

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

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk, the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

#### **IV. COMMUNICATION PROCESS**

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

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

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



## **V. TRAINING PROCESS**

If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

A director may, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

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

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer.

It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

## **VII. SHAREHOLDERS' BENEFIT**

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

The Board shall be committed to respect the following rights of the stockholders:

### **A. Voting Right**

1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
2. Cumulative voting shall be used in the election of directors.

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

B. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, during business hours and upon prior written notice to the Corporation.

All Shareholders shall be furnished with annual reports, including financial statements, without cost or restrictions.

C. Right to Information

1. 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.
2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

D. Right to Dividends

1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
2. The Commission may direct the Corporation to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: i) when justified by definite corporate expansion projects or programs approved by the Board; or ii) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

E. Appraisal Right

The Shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences

in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.

- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

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

G. It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

## **VIII. MONITORING AND ASSESSMENT**

- A. Each Committee shall report regularly to the Board of Directors.
- B. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part IX of this Manual.
- C. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- D. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- E. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

**IX. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

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

**Signed:**



**JONATHAN T. GOTIANUN**  
Chairman of the Board

**Signed:**



**L. JOSEPHINE GOTIANUN YAP**  
President and CEO