

MANUAL OF CORPORATE GOVERNANCE
ARIANS INSURANCE BROKER INC.

The Board of Directors and Management, officers and employees of Arians Insurance Broker Inc hereby commit themselves to the fundamental principles of corporate governance contained in this Manual of Corporate Governance ("Manual"), and acknowledge that the same may guide them in the attainment of the corporate goals.

Objective

This Manual shall promote and institutionalize the guiding principles of good corporate governance ("CG") in the entire organization.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

Definition of Terms

- a) **Corporate Governance** – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

It is also 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 – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

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

- b) **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- c) **Management** – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation.
- d) **Independent director** – a person who is independent of management and the controlling shareholder, and 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.

- e) **Executive director** – a director who has executive responsibility of day-to-day operations of a part or the whole of the Organization.
- f) **Non-executive director** – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation.
- g) **Non-audit work** – the 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.
- h) **Conglomerate** – a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.
- i) **Internal control** – a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization’s policies and procedures.
- j) **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.
- n) **Related Party** – shall cover the company’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over the company; the company’s directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.
- o) **Related Party Transactions** – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- p) **Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the company’s strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

I. THE BOARD'S GOVERNANCE RESPONSIBILITIES

1. Establishing a Competent Board

The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

The Corporation should be headed by a competent, working board to foster the long-term success of the corporation and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its stakeholders.

1.1. Composition of the Board

1.1.1. The Board shall be composed of four (4) members who are elected by the stockholders.

The Board shall be composed of directors with collective working knowledge, experience or expertise that is relevant to the Corporation's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members 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.

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

1.1.3. The Board shall consider having at least 3 independent directors or at least one-third (1/3) of the members of the Board, whichever is higher. However, the number of independent directors in the Board of the Corporation shall be at least 2 or such number that constitutes 20% of the members of the Board, whichever is lesser, but in no case less than two (2) as provided in the SRC.

1.2. Training

The Corporation shall provide an orientation program for first-time directors and relevant annual continuing training for all directors to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities.

1.3. Board Diversity

The Corporation shall embrace board diversity, as much as practicable, which is not limited in terms of age, gender, culture, skills, competence and knowledge.

1.4. Corporate Secretary

The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who preferably is not a member of the Board of Directors, and annually attends trainings on corporate governance. The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation, and has among others, the following responsibilities:

- a. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e. Advises on the establishment of board committees and their terms of reference;
- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days in advance, and ensure that the members have them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h. Performs required administrative function;

- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by laws and regulations.

1.5. Compliance Officer

The Board shall be assisted in its duties by a Compliance Officer, who shall have a rank of Manager or equivalent position with adequate stature and authority in the Corporation. The Board shall appoint a Compliance Officer, who is not a member of the Board and should annually attend trainings on corporate governance and has, among others, the following duties and responsibilities:

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

2. Establishing Clear Roles and Responsibilities of the Board

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

- 2.1** The Board 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 shareholders.

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. The Board shall have, among others, the following duties and responsibilities:

a. General Responsibility

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

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

b. Duties and Functions

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

- i. a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.
- ii. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- iii. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- iv. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the Corporation's CEO or Chief Financial Officer shall exercise oversight responsibility over this program.
- v. 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.
- vi. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the Corporation's internal control system in order to

maintain its adequacy and effectiveness.

- vii. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- viii. 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.
- ix. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- x. Establish as much as practicable, at the option of a shareholder, 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.
- xi. Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.
- xii. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
- xiii. Appoint a Compliance Officer as provided herein.

2.3 Chairman of the Board

The Board shall be headed by a competent and qualified Chairperson. The roles and responsibilities of the Chairman include, among others, the following:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representation made by Management;
- e. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/ followed up on.

2.4 Succession Planning

The Board shall ensure the adoption of an effective succession planning program for directors, key officers and management to ensure growth, promote dynamism in the Corporation and continued increase in the shareholders' value.

2.5 Remuneration of Directors & Officers

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance. The Board shall look into the alignment of remuneration of key officers and board members with the long-term interest of the Corporation.

No director shall participate in the approval of his compensation. Directors shall not receive any compensation unless provided in the By-laws of the Corporation or approved by the stockholders as may be required in its By-laws. However, the Board may, from time to time, approve a reasonable per diem that a director may receive for attendance in Board and Board Committee meetings.

2.6 Nomination and Election of Board of Directors

The Corporation shall set a reasonable period for the submission of nominations of candidates for election to the Board of Directors. A shareholder of record, including minority shareholder, entitled to notice of and to vote at the regular or special meetings of the shareholders for election of directors shall be qualified to be nominated as a director. In general, the procedure shall be as follows:

- a. A stockholder may recommend the nomination of a director to the Nomination Committee & Governance Committee through the office of the Corporate Secretary;
- b. The nominating stockholder shall submit his proposed nomination in writing to the Nomination & Governance Committee, together with the acceptance and conformity in writing of the would-be nominee;
- c. The Nomination & Governance Committee shall screen the nominees to review and evaluate that they have the qualifications and none of the disqualifications to be a director prior to the holding of the stockholders' meeting and to come up with the Final List of Candidates;

- d. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as independent director, as provided by existing laws and regulations.

2.7 Qualifications of Directors

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

- a. Shall be at least college education graduate or equivalent academic degree or have sufficient experience in managing the business to substitute for such formal education;
- b. Practical understanding of the business of the Corporation;
- c. Membership in good standing in relevant industry, business or professional organizations; and
- d. Previous business experience or shall be proven to possess the appropriate level of skill in line with the strategic plans and goals of the Corporation

2.8 Disqualification of Directors

- a. Permanent Disqualification

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

- i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the 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 company, investment house or as an affiliated person of any of them;
- ii. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, distributor, commission merchant, commodity trading advisor, or floor broker; (b) acting as director or director of insurance broker; (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 insurance and insurance broker activities.
- iii. Any person convicted by final judgment or order by a court or competent administrative body for violation of Insurance and Corporate Code.

- iv. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- v. Any person judicially declared as insolvent or incapacitated to enter into contract.

2.9 Related Party Transactions (RPTs)

The Board shall have overall responsibility to ensure a policy and system governing related party transactions (RPTs) to set the scope, arm's length guidelines, materiality thresholds, and management of conflict of interests. The Audit Committee, chaired by an Independent Director, shall assist the Board in reviewing RPTs to guarantee fairness and transparency, taking into account their size, structure, risk, and complexity.

2.10 Internal Control Responsibilities of the Board

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

- a. The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
 - i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;
 - ii. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
 - iii. Evaluation of proposed senior management appointments;
 - iv. Evaluation of standards for selection of qualified and competent management officers; and
 - v. Review of the Corporation's human resource policies, conflict of interest

situations, compensation program for employees, and management succession plan.

- b. The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- c. The Corporation may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

3. Establishing Board Committees

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. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter. The type of board committees to be established would depend on the Corporation's size, risk profile and complexity of operations. However, if the committees are not established, the functions of these committees may be carried out by the whole board or by any other committee.

All established committees shall have its Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees. Committee Charters may be publicly available and posted on the Company Website.

3.1 Audit Committee

The Board shall 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.

- a. The Audit Committee shall consist of at least two (2) officers, who preferably shall all have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should be an independent director and should not be the Chairman of the Board or of any other committees. The committee shall have the following duties and responsibilities:
 - i. Assist the Board in the performance of its oversight responsibility of the Senior Management in establishing and maintaining adequate, effective and efficient

internal control framework designed to provide assurance in areas for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets;

- ii. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- iii. Perform oversight functions over the Corporation's external auditors. It should ensure that the external auditors act independently from each other, and that auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- iv. Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of the Internal Audit and the audit plan as well as oversees the implementation thereof. Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- v. Oversee the Internal Audit Department (IAD), and recommend the appointment and/or grounds for the approval and removal of an internal audit head or Chief Audit Executive (CAE). It shall also approve the terms and conditions for outsourcing internal audit services.
- vi. Through the IAD, monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets;
- vii. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. He shall also provide regular reports to the CEO.
- viii. Review and monitor the Management's responsiveness to the Internal Auditor's findings and recommendations;
- ix. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- x. Review the reports submitted by the internal and external auditors;
- xi. 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.
- xii. Review the disposition of the recommendations in the External Auditor's management letter;
- xiii. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- xiv. Recommend to the Board the appointment , reappointment, removal and fees of External Auditor, duly accredited by SEC, who undertakes independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders, and
- xv. In case the Corporation does not have a Board Risk Oversight Committee/Related Party Transactions Committee, performs the function of said committees.

3.3 Nomination & Governance Committee

The Board shall have a Nomination & Governance Committee to assist the Board in the performance of its corporate governance responsibilities, the nomination and election process for the Corporation's directors. It shall be composed of at least three (3) members, including the Chairman, at least one of whom should be an independent director.

The committee shall have the following functions:

- a. Determine the nomination and election process for the Corporation's directors and define the general profile of board members that the company may need in ensuring appropriate knowledge, competencies and experience that complement the existing skills of the Board. Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
- b. Oversee the development and implementation of corporate governance framework and periodically reviews the same to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments; Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and implemented in form and substance;
- c. Recommend continuing education/training programs for directors, assignment of

tasks/projects to board committees, succession planning for the board members and senior officers;

- d. Oversee periodic performance evaluation of the Board, its committees, and the directors through annual self-assessments. Discuss the results of the Board evaluation and that concrete action plans are developed and implemented to address the identified areas for improvement.

3.4 Compensation Committee

The Compensation Committee may be composed of at least three (3) members to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.

4. Fostering Commitment

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 Meetings and Quorum Requirement

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

4.2 Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in publicly-listed corporations, always making sure however that the shareholders' legal right to vote and be voted as directors remains inviolable. The number should take into consideration the ability of the director to diligently and efficiently perform his duties and responsibilities and the nature and kind of corporations he may be a director of, regardless of the number of directorships he may be holding.

5. Reinforcing Board Independence

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

5.1. Number of Independent Directors

All companies covered under the SRC, shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

5.2. Independent Directors

An "independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from business and 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 of any covered company.

The definition of "independent director" and "covered company" shall be as provided in Section 38 of the SRC and its implementing rules and regulations.

In addition to the foregoing, any person nominated or elected as an independent director must possess all the other qualifications and none of the disqualifications, whose

election/nomination shall be made in accordance with the process and procedure under the SRC and its implementing rules and other existing laws, rules and regulations.

Except as those required under the SRC, its implementing rules and regulations and subject to pertinent existing laws, rules and regulations, the conduct of the election of independent directors shall be made in accordance with the standard election procedures as provided for under the amended by-laws of the corporation.

5.3. The Chair and the Chief Executive Officer (CEO)

The positions of the Chairman of the Board and CEO shall preferably, be held by separate individuals and each should have clearly defined responsibilities, to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chair and CEO upon their election.

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

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

- a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the corporation's industry and market and keeps-up-to-date with its core business purpose;
- e. Directs, evaluate and guides the work of the key officers of the corporation;
- f. Manages the corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the corporation; and
- i. Serves as the link between internal operations and external stakeholders.

5.5. Lead Director

As may be applicable or as much as practicable, the Board shall consider to designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

5.6. A director with a material interest in any transaction affecting the Corporation shall abstain from taking part in the deliberations of the same.

5.7. The non-executive directors (NEDs) shall, as a general rule, may have a separate periodic meetings with the external auditor and heads of the internal audit, compliance & risk functions, without any executive director present to ensure that proper checks and balances are in place within the Corporation. The meeting shall be chaired by an independent director.

6. Assessing Board Performance

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.

6.2. The Board shall set a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and committees. Such a system may allow for a feedback mechanism from the shareholders.

7. Strengthening Board Ethics

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 Conduct and Business Ethics, which shall provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, Senior Management and employees. It shall also be disclosed and made available to the public through the company website.

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.

II. DISCLOSURE & TRANSPARENCY

8. Enhancing Company Disclosure Policies and Procedures

The Corporation shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices, as much as practicable, and the regulatory expectations.

- 8.1.** The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Corporation's financial condition, results and business operations.
- 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 three (3) business days.
- 8.3.** The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
- 8.4.** A clear disclosure of its policies and procedure shall be in place for setting board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report.
- 8.5.** The company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company may consider appointing an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.
- 8.6.** The Corporation, as maybe required shall submit its corporate governance policies, programs and procedures to the regulators and posted in the Company website.

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

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 shall be recommended by the Audit Committee, approved by the Board and as maybe required, ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.

- 9.2. The Audit Committee Charter may 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 requirement. The Charter may also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
- 9.3. The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

10. Increasing Focus on Non-Financial and Sustainability Reporting

The Corporation shall ensure that the material and reportable non-financial and sustainability issues are disclosed.

- 10.1. The Corporation may set a policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

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

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

- 11.1. The Corporation may include media and analysts' briefings to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

III. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

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

To ensure 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.

- 12.1.** The Corporation shall have an adequate and effective internal control system and enterprise risk management framework in the conduct of its business, taking into consideration its size, risk profile and complexity of operations.
- 12.2.** The Corporation shall have in place an independent internal audit function that provides independent and objective assurance, and consulting services designed to add value and improve the company's operations. The function of the Internal Audit include, among others, the following:
- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of 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. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
 - c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
 - d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have significant impact on the organization;
 - e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
 - f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
 - g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
 - h. Monitors and evaluates governance processes.
- 12.3.** Subject to the Corporation's size, risk profile and complexity of operations, it shall have a qualified Internal Auditor (IA) / Chief Audit Executive (CAE) or equivalent position appointed by the Board. The IA / CAE shall oversee and be responsible for the internal audit activity of the Corporation, including the portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or Senior Management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity. The following are the responsibilities of the IA / CAE, among others:
- a. Periodically reviews the internal audit charter and presents it to Senior Management and the Board Audit Committee for approval;

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

12.4. Subject to its size, risk profile and complexity of operations, the Corporation may consider having a separate risk management function to identify, assess and monitor key risk exposures. It shall also be included in the oversight responsibility of the Audit Committee. However, risk management shall be integrated in the function of each business unit of the organization. The risk management function shall involve the following activities, among others:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risk exposures relating to economic, environment, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
- d. As much as practicable, may establish a risk register with clearly defined prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the company as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (e.g. 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.

12.5. In managing the company's Risk Management System, the Corporation may consider to appoint a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk

Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations. As much as practicable, it may also be concurrently under the oversight of the Chief Financial Officer or equivalent officer. The CRO shall have the following functions, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates top risks and the status of the implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d. Oversees the Board Risk Oversight Committee;
- e. Suggests ERM policies and related guidance, as may be needed; and
- f. 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.

IV. CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

13. Promoting Shareholder Rights

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

13.1. The Board shall ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on the Company's website.

- a. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
 - i. Right to vote on all matters that requires their consent or approval;
 - ii. Pre-emptive right to all stock issuances of the corporation;
 - iii. Right to inspect corporate books and records;
 - iv. Right to information;

v. Right to dividends.

The Board shall also disclose shareholders' rights relating to: (a) dividend policies, (b) proposing holding of meetings and agenda items, (c) nomination process to nominate candidates to the Board of Directors, (d) voting procedures governing Annual and Special Shareholders' Meeting.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders shall be encouraged to personally attend such annual 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 stockholder's favor.

The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

- 13.2. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information, as much as practicable, at least 28 days before the meeting.
- 13.3. The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available, as much as practicable, within 5 business days from the meeting date. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website, as a general rule, within 5 business days from the end of the meeting.
- 13.4. As much as practicable, the Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

V. DUTIES TO STAKEHOLDERS

14. Respecting Rights of Stakeholders and Effective Redress for the Violation of Stakeholders' Rights

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 company's various stakeholders and promote cooperation

between them and the company in creating wealth, growth and sustainability.

14.2. The Board shall set policies or programs to provide a mechanism on the fair treatment and protection of stakeholders.

14.3. The Board shall make available practical framework or process that allows stakeholders to communicate with the company their concerns relating to violation of their rights.

15. Encouraging Employees' Participation

A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

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

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

15.3. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework as well as in supervising and ensuring its enforcement.

16. Encouraging Sustainability and Social Responsibility

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

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