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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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MANUAL ON GOOD CORPORATE GOVERNANCE

PHINMA PETROLEUM AND GEOTHERMAL, INC.

We, the Board of Directors and Management, i. e. officers and staff, of **PHINMA PETROLEUM AND GEOTHERMAL, INC.** (the “Corporation”) hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

1 OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance 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 as soon as possible.

2 COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To ensure adherence to corporate principles and best practices, the Board shall be assisted in its duties by a Compliance Officer who shall have a rank of Vice President or an equivalent position with adequate stature and authority in the corporation.

The Compliance Officer shall not be a member of the Board of Directors and shall attend a training on corporate governance on an annual basis.

2.1.2 He shall perform the following duties:

- Ensure proper onboarding of new directors (i.e., orientation on the company’s business, charter, articles of incorporation and by-laws, among others);
- Monitor, review, evaluate and ensure compliance by the Corporation its officers and directors with the relevant laws, with the Revised Code of Corporate Governance (“Code”), rules and regulations and all governance issuances of regulatory agencies;

- Appear before the Securities and Exchange Commission upon summon on matters in relation to compliance with the Code;
- Ensure the integrity and accuracy of all documentary submissions to regulators;
- Determine violation/s of the Code and recommend to the Board the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- Identify possible areas of compliance issues and works towards the resolution of the same;
- Develop and establish, subject to approval of the Board of Directors, a monitoring and evaluation system to determine compliance with this Manual, which system shall provide for a procedure that fulfills the requirements of due process.
- Ensure the attendance of board members and key officers to relevant trainings;
- Perform such other duties and responsibilities as may be provided by the SEC.

2.1.3 The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission (the “Commission”) on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

2.2. Plan of Compliance

2.2.1. 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 and profitability in a manner consistent with its corporate objectives and 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 and shall act on a fully informed basis, in good faith, with due diligence and care.

2.2.1.1 Composition of the Board

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

The positions of Chairman of the Board and Chief Executive Officer shall be held by separate individuals and each shall have clearly defined responsibilities.

The Board shall be composed of at least five (5), but not more than fifteen (15) members and shall have at least three (3) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

The board members shall be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company'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.

Further, the board shall include 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.

2.2.1.2. General Responsibility

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

2.2.1.3. Specific Duties and Functions of the Board

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall:

- Formalize a Board Charter that clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions.
- Install a process of selection to ensure a mix of competent directors and officers as described in Section 2.2.1.1.
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Provide sound strategic policies and guidelines to the corporation on major capital expenditures.
- Establish programs that can sustain its long-term viability and strength and periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- Require that the Corporation comply with all relevant laws, regulations and codes of best business practices.
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective communications program, which shall be under the supervision of the Chief Executive Officer.
- 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. The company recognizes and places an importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.
- Oversee that an appropriate internal control system is in place, including setting up of a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter.

- Formulate policies and procedures that will ensure the integrity and transparency of material related party transactions and other unusual or infrequently occurring transactions whose policies should include appropriate review and approval of material or significant RPTs as to their fairness and transparency, size, structure, risk profile and complexity of operations.
- Establish and maintain an alternative dispute resolution system for the amicable settlement of conflicts and differences among all stakeholders including the regulatory authorities.
- Appoint a Compliance Officer who is a separate individual from the Corporate Secretary.
- Oversee with due diligence that a sound Enterprise Risk Management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
- Establish a Risk Oversight Committee which shall be responsible for the oversight of the Enterprise Risk Management system to ensure its functionality and effectiveness.
- Properly discharge Board functions by meeting regularly. Independent directors shall, as much as possible, attend all Board meetings. The Board may also require the presence of at least one independent director in its meetings to promote transparency.
- Independent views during Board meetings shall be given due consideration and all meetings shall be duly minuted.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulation.
- Define the clear delineation of roles, duties, and responsibilities of the Chair and the Chief Executive Officer as necessary, integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times. Proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives if the positions of Chair and CEO are unified.

- Require Management to provide the Board with complete, adequate and timely information about the matters to be taken in their meetings to enable the Board to properly fulfill their duties and responsibilities. The board shall also have independent access to Management and the Corporate Secretary including access to independent professional advice at the corporation's expense in furtherance of their duties and responsibilities.
- Make available to the company's stockholders, via multiple channels, a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- Encourage the exercise of shareholders' voting rights by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information, whenever practicable, at least 28 days before the meeting.
- Implement a policy on board diversity that considers age, ethnicity, culture, skills and competence to ensure that optimal decision-making is achieved.
- 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.
- Adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value that should consider a policy on the retirement of age for directors and key officers as part of management succession and to promote dynamism in the corporation.
- Adopt a Code of Business Conduct and Ethics including a whistle-blowing program, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees.

- Ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.
- Align the remuneration of key officers and board members along with the long-term interests of the company and formulate and adopt a policy specifying the relationship between remuneration and performance.
- Approve the selection and assess the performance of the management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).
- Establish an effective performance management framework that will ensure that the management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.
- Establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.
- 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 a company's financial condition, results and business operations.
- 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.

2.2.1.4 Roles and Responsibilities of the Chairman

The Chairman of the Board shall have the following roles and responsibilities:

- Make certain that the meeting agenda focuses on strategic matters, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

- Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

2.2.1.5. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- To exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in an honest belief that the action was taken in the best interest of the Corporation.
- To attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so;
- To act judiciously;
- To exercise independent judgment;
- 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.

- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.
- To conduct business transactions with the Corporation, if any, in a manner that is fair and ensures that personal interest does not bias Board decisions. A director with a material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same.
- To refrain from dealing in shares of stock of the Corporation during the period within which a material non-public information is obtained and up to two (2) full trading days after the price sensitive information is disclosed and to notify the company of any dealings in the company's shares within three (3) days.
- To notify the Corporate Secretary of the Board before accepting a directorship in another company.
- Non-executive directors shall set periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation.

In addition to the above, the Board-designated lead director shall have the following functions:

- To serve as an intermediary between the Chairman and the other directors when necessary.
- To convene and chair meetings of the non-executive directors and where applicable, with the external auditor and heads of the Internal Audit, Compliance and Risk functions without any executive directors present.
- To contribute to the performance evaluation of the Chairman, as required.

2.2.2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute standing committees which shall directly report to the Board in accordance with the performance standards contained in their charters as duly approved by the Board.

2.2.2.1 Corporate Governance and Related Party Transactions Committee

The Board shall create a Corporate Governance and Related Party Transactions Committee which shall be composed of at least three (3) members, majority of whom should be independent directors. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, in reviewing all material related party transactions of the company including the functions that were formerly assigned to the Nomination Committee.

2.2.2.1.1 Duties and Responsibilities

- Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments.
- Oversee the periodic performance evaluation of the Board and conducts an annual self-evaluation of its performance.
- Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement.
- Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance.
- Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance.
- Propose and plan relevant trainings for the members of the Board.
- Determine the nomination and election process for the company's directors with the special duty of defining the general profile of board members that the company may need and ensuring appropriate

knowledge, competencies and expertise that complement the existing skills of the Board.

- Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.
- Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
 1. The related party's relationship to the company and interest in the transaction.
 2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction.
 3. The benefits to the corporation of the proposed RPT.
 4. The availability of other sources of comparable products or services
 5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
- Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.

- Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

2.2.2.1.2 Subject to the pertinent provisions of the By-Laws on the disqualification of persons engaged in business antagonistic to that of the Corporation, the Corporate Governance and Related Party Transactions Committee, as part of the functions of the Nominations Committee, shall pre-screen and shortlist all candidates nominated to become members of the board of directors in accordance with the following qualifications and disqualifications:

Qualifications

- He shall be the holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate and shall have practical understanding of the business of the corporation.
- He shall be at least twenty one (21) years of age;
- He shall possess integrity and probity; and
- He shall be diligent.
- He shall possess previous business experience.

Permanent Disqualifications

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

fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasibank, 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.
- Any person is currently the subject of an order of the SEC , BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is 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;
- 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;
- Any person finally found by the SEC, BSP, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law, rule, regulation or order administered by the Commission or Bangko Sentral ng Pilipinas, or who has filed a materially false or misleading application, report or registration statement required by the Commission or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;

- Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- Any person judicially declared insolvent;
- Any person finally found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code.

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

- 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;
- Absence or non-participation without justification 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) month period during the said incumbency unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination for cause from directorship in any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries, associates, affiliates or related companies exceeds 2% of its subscribed capital stock; the disqualification shall be lifted if the limit is later complied with;

- Conviction that has not yet become final for any of the acts or violations referred to in the grounds for disqualification of directors.

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

However, a regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a three (3) year “cooling-off” period.

Likewise, persons appointed as Chairman Emeritus , Ex-officio director/officers or members of any executive advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a three (3) year “cooling-off” period prior to his qualification as an independent director.

Independent Directors shall serve for a maximum cumulative term of nine (9) years, in compliance with the pertinent rules of the SEC, after which the Independent Director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director.

In the instance that the Board in its assessment resolves that it is valuable to the Company to retain an Independent Director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders’ approval during the annual shareholders’ meeting.

The Corporate Governance and Related Party Transactions Committee shall consider the following guidelines in the determination of the availability of a director to serve as such:

- the nature of the business of the corporations of which he is a director;
- age of the director;
- number of directorships/active memberships and officerships in other corporations or organizations;
- possible conflict of interest
- experience from other boards;
- experience as chief executive officer or chief operating officer;

- knowledge of finance;
- knowledge of accounting;
- knowledge of the industry of the Corporation;
- knowledge of the local and international market and strategic vision;
- contacts of value to the Corporation

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.

2.2.2.1.3. The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The non-executive directors of the Board shall concurrently serve as directors to a maximum of five (5) publicly-listed companies to ensure that they allot the time and attention necessary to properly and effectively discharge their duties and responsibilities. In any case, the capacity of directors to serve with diligence shall not be compromised.

2.2.2.1.4 The findings and recommendations of the Corporate Governance and Related Party Transactions Committee shall be submitted to the Board for approval; provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

2.2.2.2. Executive Compensation Committee

2.2.2.2.1 The Executive Compensation Committee shall be composed of at least three (3) directors, one of whom shall be an independent director.

2.2.2.2.2 Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration specifying the relationship between remuneration and performance 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, control environment and the long-term interests of the company.

- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors.
- 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 with their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports prescribed by the Commission, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year, consistent with the guidelines of the Commission.
- Review the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefit policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts.
- Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.2.2.3. Audit Committee

2.2.2.3.1 The audit committee shall be composed of at least three (3) appropriately qualified directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The Chairman of the Audit Committee shall not be the Chairman of the Board or of any other committee.

2.2.2.3.2 Duties and Responsibilities

- Check all financial reports against its compliance with both the internal financial management systems and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- Review and monitor the external auditor's suitability and effectiveness on an annual basis.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report;
- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Recommend the approval of the Internal Audit Charter which defines the role of Internal Audit
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on any change/s in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards and compliance with tax, legal and regulatory requirements.
- Perform direct interface functions with the internal and external auditors.

- Ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel for the performance of their respective functions.
- Elevate to international standards the accounting and auditing processes, practices and methodologies.
- Develop a transparent financial management system to ensure the integrity of internal control activities throughout the company through a step-by-step procedure and policies handbook that will be used by the entire organization.
- Supervise, as directed by Management, the formulation of rules and procedures on financial reporting, internal control systems, internal audit examinations, compliance with financial reporting requirements and appointment of the external auditor in accordance with the guidelines under the revised Code for the benefit of all stockholders and other stakeholders.

2.2.2.4. Risk Oversight Committee

2.2.2.4.1 The Risk Oversight Committee shall be composed of at least three (3) members, the majority of whom shall be independent directors, including the Chairman. The Chairman shall not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

2.2.2.4.2 The Chief Risk Officer (CRO) shall directly report to the Risk Oversight Committee and shall be the ultimate champion of Enterprise Risk Management (ERM). The CRO shall have adequate authority, stature, resources and support to fulfill his/her responsibilities.

2.2.2.4.3 Duties and Responsibilities

- Develop a formal enterprise risk management plan which contains well-defined risk management goals, objectives and oversight, processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures;

- Oversee the implementation of the enterprise risk management plan
- Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness.
- Advise the Board on its risk appetite levels and risk tolerance limits;
- Review at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence.
- Oversee the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation.
- Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

2.3.3. The Corporate Secretary

2.3.3.1 The Corporate Secretary is an officer of the Corporation who shall not be a member of the Board of Directors and must faithfully perform the duties of the office to the best of his ability. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity comes with his duties.

2.3.3.2 The Corporate Secretary shall be a Filipino citizen.

2.3.3.3 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 and should attend a training on corporate governance on an annual basis.

2.3.3.4. Duties and Responsibilities

- Gather, analyze and safe keep the integrity of the minutes of the meetings of the Board and its committees as well as all other documents, records and information essential to the conduct of his duties and responsibilities to the Corporation.
- Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- Work fairly and objectively with the Board Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders.
- Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advice the Board and the Chairman on all relevant issues as they arise.
- Advise on the establishment of board committees and their terms of reference.
- Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Inform the Board and recommend appropriate decision when a director notifies him of a possible directorship in another company.
- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents prevent him from doing so.
- Perform required administrative functions.
- Oversee the drafting of the by-laws and ensure that they conform to regulatory requirements.

- Perform such other duties and responsibilities as may be provided by the SEC.

2.3.4. External Auditor

2.3.4.1. The external auditor, through his designated role and responsibility, shall contribute to the enablement of good corporate governance as reflected in the financial records and reports of the Corporation. The external auditor shall undertake an independent audit which provides reasonable and objective assurance on the way the Corporation's financial statements have been prepared and presented. The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee duly endorsed by the Board of Directors. The external auditor shall be required to stipulate his duties and responsibilities to the Corporation.

2.3.4.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. For removal of the external auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the company website and required disclosures.

2.3.4.3 The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.3.4.4. The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.3.4.5. If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

2.3.5. Internal Auditor

2.3.5.1. 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 faithfully complied with. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

2.3.5.2. The Audit Committee may require the Internal Auditor to periodically report to such Committee as may be necessary and submit its annual report on its activities, responsibilities and performance.

2.3.5.3. 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.

2.3.5.4. 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 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.

2.3.5.5 The Chief Audit Executive shall oversee and be responsible for the internal audit activity of the organization including that portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

3 COMMUNICATION PROCESS

- 3.1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable times on business days.
- 3.2. The Compliance Officer shall provide copies of the Manual to all directors, division and department heads, shall ensure a thorough dissemination of this Manual to all employees and related third parties, and shall enjoin compliance in the process.
- 3.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of the HRD, with a minimum of at least one (1) hard copy of the Manual per department.
- 3.4. Likewise, the Code of Business Conduct and Ethics shall be disclosed and made available to the public through the company website.

4 TRAINING PROCESS

- 4.1 If necessary, funds shall be allocated by the Board, upon recommendation of the CFO or its equivalent officer for the purposes of conducting an orientation program or workshop to operationalize this Manual.

A director shall be required to attend a seminar on corporate governance conducted by a private or government institute duly accredited by the Securities and Exchange Commission, before assuming as such, or within a period of six (6) months from the date of his election. On an annual basis, all directors shall attend other relevant annual continuing training either provided by the Company or by a 3rd party and shall provide a copy of their certificate of attendance to the Company within a reasonable period of time.

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

5 REPORTORIAL OR DISCLOSURE SYSTEM OF THE CORPORATION'S CORPORATE GOVERNANCE POLICIES

- 5.1. 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.
- 5.2. All material information, i.e., anything that could potentially affect share price or adversely affect its viability or the interests of its stockholders and other stakeholders shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes of ownership.
- 5.3. 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.
- 5.4. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- 5.5. The Board shall commit at all times to fully disclose public, material and relevant information. It shall cause the filing of all required information through the appropriate Exchange mechanisms and submissions to the Commission for the interest of its stockholders and other stakeholders, including through media and analysts' briefings as the company may deem appropriate.

- 5.5.1 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 should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.
- 5.5.2 The company's corporate governance policies, programs and procedures shall be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website.
- 5.6 The Company shall not communicate material non-public information about the Company to any person other than those enumerated below, unless the Company is ready to simultaneously disclose the material non-public information to the Exchange:
 - 5.6.1 A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and
 - 5.6.2 A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

The Company shall establish and implement internal controls that will require its officers, staff and any other person who is privy to the material non-public information to comply with the above requirement.

(Amendment approved by the Board on March 29, 2004)

6 SHAREHOLDERS' BENEFIT

The company 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:

6.1 INVESTORS' RIGHTS AND PROTECTION

6.1.1 Rights of Investors/Minority Interests

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

6.1.2 Voting Right

6.1.2.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

6.1.2.2 Cumulative voting shall be used in the election of directors.

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

6.1.3 Pre-emptive Right

All shareholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

6.1.4 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 and shall be furnished annual reports, including financial statements, without cost or restrictions.

6.1.5 Right to Information

6.1.5.1 The shareholders shall be provided, upon request, periodic reports which disclose personal and professional information ¹⁴about 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.

6.1.5.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.

6.1.5.3 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 such matters in the agenda of the shareholders' meeting, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.

6.1.5.4 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 the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website within five (5) business days from the end of the meeting.

6.1.6 Right to Dividends

6.1.6.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.

6.1.6.2 The Corporation shall be compelled to declare dividends when its distributable retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) 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 c) 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.

6.1.7 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 shareholders 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.

6.1.8 It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder 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.

6.1.9 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 meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the bylaws, 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.

6.1.10 The Investor Relations Officer shall be present at every shareholders' meeting to ensure constant engagement with the shareholders.

7 MONITORING AND ASSESSMENT

- 7.1. Each Committee shall report regularly to the Board of Directors.
- 7.2. The Compliance Officer shall establish an evaluation system to determine the measure of compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.
- 7.3. The Board shall conduct an annual self-assessment of its performance including the performance of the Chairman, individual members and committees. When conditions and circumstances dictate, an assessment shall be done by an external evaluator.

- 7.4. The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors and committees.
- 7.5. This Manual shall be subject to periodic review by the Board.
- 7.6 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.

8 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this Manual, the Board of Directors may impose the penalties, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension and removal from office depending on the gravity of the offense as well as the frequency of the violation.

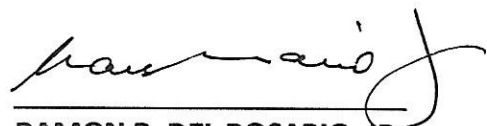
The commission of a grave violation of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

Approved by the Board on April 23, 2014.


Paragraphs 2.2.1.3 (1) and (8), 2.2.2.3.2 (14), 2.3.3.4 (3) and 5 (2) amendments approved by the Board on September 22, 2014.

Amended to substantially adopt the 2016 Code of Corporate Governance for Publicly-Listed Companies and approved by the Board on May 15, 2017.

Paragraphs 2.2.2.1.2 and 2.2.2.1.3 amendments approved by the Board on February 28, 2018.



RAMON R. DEL ROSARIO, JR.
Chairman of the Board



CECILLE B. ARENILLO
Compliance Officer