

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

MARCOS E. LAROSA

Contact Person

(02) 7751-8132

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

2020

Amended- 2020 MANUAL ON CORPORATE GOVERNANCE

FORM TYPE

0	7
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Month

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Day

Annual Meeting

**Every last
Thursday of July**

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Secondary License Type, If Applicable

C	G	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

109

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

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Remarks = pls. Use black ink for scanning purposes

SEC NUMBER 28788



2020 MANUAL
ON CORPORATE GOVERNANCE

July 2020

MAKATI FINANCE CORPORATION
3/F Mazda-Makati Building, 2301 Chino Roces Ave.
Brgy. Magallanes, Makati City 1231
Tel No. (02) 751-8132

This Manual of Corporate Governance is intended to guide the Corporation, its Board of Directors, Management and Officers, to raise its corporate governance standards to a level at par with its regional and global counterparts based on the CODE OF CORPORATE GOVERNANCE FOR PUBLICLY LISTED COMPANIES as prescribed by the Securities and Exchange Commission under SEC Memorandum Circular No. 24, series of 2019.

1 BOARD OF DIRECTORS

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 should 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.

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

The Corporation hereby adopts a policy that strongly encourages the training of directors, including an orientation program for first-time directors and relevant continuing training for all directors, as may be conducted from time to time.

The Corporation hereby adopts a policy on Board diversity that strongly encourages diversity in age, gender, ethnicity, culture, skills, competence and knowledge, with a priority to increase the number of female directors, including female independent directors.

1.1. General Responsibilities

The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders.

The Board shall oversee the development of and approve the company's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength.

The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This shall include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation.

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

The Board shall have and disclose in its Manual on Corporate Governance a formal and transparent board nomination and election policy that should include how it accepts nominations from

minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the company.

The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

The Board shall be primarily responsible for approving the selection and assessing the performance of the Senior Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads.

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

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

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

The directors shall 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. In Board and Committee meetings, the director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies. A director should notify the Board before accepting a directorship in another company, which may conflict with or affect the performance of his duties as a Director of the Corporation.

The Board may have a Board Charter that formalizes and 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 and should be publicly available and posted on the company's website. In the absence of a Board Charter, this Manual of Corporate Governance shall serve as such.

2 BOARD COMMITTEES

The Board hereby establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The Board Committees should be composed only of board members.

All established committees should have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees and its members.

2.1. Audit Committee

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

2.1.1. The Audit Committee shall have the following functions:

- a) Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA charter;
- b) Through the IA Department, 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. Well-designed internal control procedures and processes that will provide a system of checks and balances should be place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c) Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
- d) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report to the Audit Committee.
- e) Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;

- f) Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g) Evaluates and determines 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 should be disclosed in the Corporation's annual report;
- h) Review the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices
 - ii. Areas where a significant amount of judgment has been exercised
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements
- i) Reviews the recommendations in the External Auditor's management letter;
- j) Performs oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are unrestricted access to all records, properties and personnel to enable them to perform the respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- k) Coordinates, monitors, and facilitates compliance with the laws rules and regulations;
- l) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an 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;
- m) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- n) In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;

- o) In case of the absence of an RPT Committee:
- Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. 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; and
 5. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
 - Ensures that appropriate disclosure is made, and/or information is provide to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
 - Reports 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;
 - Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
 - Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.
- p) Performs the functions of the Board Risk Oversight Committee, in the absence thereof.
- q) Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the Internal Audit.

2.1.2 The Audit Committee shall adopt 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

should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal or change of the external auditor, the reasons for removal or change should be disclosed to the Commission, the shareholders, and the public through the company website and required disclosures. The Audit Committee Charter, if any, should include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

- 2.1.3 The company should disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest cases. 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.

2.2. Nomination Committee

A Nomination Committee is hereby created which shall have at least three (3) voting members (one of whom must be independent or non-executive).

2.2.1. The Nomination Committee shall have the following functions:

- a) It shall accept, review and evaluate the qualifications of all persons nominated to the Board by any shareholder, 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; and
- b) Within the periods prescribed by the Securities Regulations Code and other pertinent laws, the Committee shall accept, pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

Qualifications

- i. Holder of at least one (1) share of stock of the Corporation;
- ii. He shall be at least a college graduate or have sufficient experience in managing businesses to substitute for such formal education;
- iii. He shall be at least twenty-one (21) years old;
- iv. He shall have proven to possess integrity and probity; and
- v. He shall be assiduous.

Disqualifications

i. Permanent Disqualification

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

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

- Any person convicted by final judgment or order by a court or competent administrative body of any offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- Any person who has been adjudged by final judgment or order of the SEC, BSP, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Corporation Code, Securities Corporation Code, or any other law, rule, regulation or order administered by the SEC or BSP
- Any person judicially declared as insolvent;

- Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above ;
- Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- Other grounds as the SEC may provide.
- The Board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director shall be perpetually barred from reelection as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

ii. Temporary Disqualification

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

- Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death of the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- If any of the judgments or orders cited in the ground for permanent disqualification has not yet become final.
- A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the

disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

2.3. Compensation and Remuneration Committee

The Compensation Committee is hereby created and shall be composed of at least three (3) members, one of whom shall be an independent director.

2.3.1. The Compensation Committee shall have the following functions:

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

2.4. Corporate Governance Committee

The Corporate Governance Committee is hereby created and shall be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions of the Nomination and Compensation/Remuneration Committee, at the discretion of the Board. It should be composed of at least three (3) directors, majority of whom should be independent directors, including the Chairman. The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

2.4.1. The Corporate Governance Committee shall have the following functions:

- a) Oversees 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;

- b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d) Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f) Proposes and plans relevant trainings for the members of the Board;

2.5 Board Risk Oversight Committee

Subject to a corporation's size, risk profile, nature and complexity of operations, the Board should establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Management System to ensure its functionality and effectiveness. The BROC should be composed of at least three (3) directors, the majority of whom should be independent directors, including the Chairperson. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The BROC has the following duties and responsibilities, among others:

- a. Develops a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies; and (e) continuing assessments to improve risk strategies, processes and measures.
- b. Oversees the implementation of the ERM plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advises the Board on its risk appetite levels and risk tolerance limits;

- e. Reviews 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 major events which may have occurred in the company;
- f. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g. Oversees the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h. Reports 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 recommend further action or plans, as necessary.

2.6 Other Committees

The Board of Directors may, at its discretion, create and constitute such other Committees to support the effective performance of the Board's functions, which may include a Committee on Related-Party Transactions.

3 OFFICERS

3.1. The Chairman of the Board

- 3.1.1. 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 representations made by Management;
 - e) Assures the conduct of proper orientation for first-time directors and

continuing training opportunities for all directors, if necessary; and

- f) Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on, if necessary.

3.2. Chief Executive Officer

3.2.1. The positions of Chairman of the Board and Chief Executive Officer should be held by separate individuals and each should have clearly defined responsibilities. The CEO shall have the following roles and responsibilities, among others:

- a) Implements 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, evaluates 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.

3.3. The Corporate Secretary

3.3.1. The Board shall be assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should attend a training on corporate governance, from time to time as may be necessary. He shall have the following duties and functions:

- 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) Safekeeps 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 working days in advance, and ensures that the members have before 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 functions;
- 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 the Board and SEC.

3.4. Compliance Officer

3.4.1. The Board shall be assisted in its duties by a Compliance Officer, who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance. He/she is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the company. He 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 Code, 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 and electronic submissions as may be allowed under SEC rules and regulations;
- e) Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
- 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 Board and SEC.

4 INTERNAL CONTROL SYSTEMS

- 4.1.1. The Company may have an adequate and effective internal control system and an Enterprise Risk Management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations, taking into account its size, risk profile, nature and complexity of operations.
- 4.1.2. The Company should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations. The internal audit shall have the following functions:
 - a) Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
 - b) 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 a 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
- 4.2. Subject to a company's size, risk profile and complexity of operations, the Board may appoint a qualified Chief Audit Executive (CAE). The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.
- 4.3. Subject to its size, risk profile and complexity of operations, the Board may create a separate risk management function to identify, assess and monitor key risk exposures. Where necessary, the Board may appoint a Chief Risk Officer (CRO) to manage the company's Risk Management System, 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. There should be clear communication between the Board Risk Oversight Committee and the CRO. The CRO shall have the following duties and such other duties as may be determined by the Board:
- a) Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
 - b) Communicates the top risks and the status of 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) Suggests ERM policies and related guidance, as may be needed; and
 - e) Provides insights on the following:
 - i. Risk management processes are performing as intended;
 - ii. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - iii. Established risk policies and procedures are being complied with.

5 INDEPENDENCE OF THE BOARD

- 5.1. The Board 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, unless a lower number is elected by the Shareholders, which in no case shall be below two (2) independent directors.
- 5.2. Independent directors need to possess a good general understanding of the industry they are in. Non-executive directors, including independent directors, possess the qualifications

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

- 5.3. The Board, through the Nomination Committee, should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.
- 5.4. The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairperson of the Board and the Chief Executive Officer or its equivalent are held by one person.

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

- a. Serves as an intermediary between the Chairperson and the other directors when necessary;
 - b. Convenes and chairs meetings of the Non-Executive directors; and
 - c. Contributes to the performance evaluation of the Chairperson, as required.
- 5.5. An Independent Director refers to a person who, ideally:
- a. Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
 - b. Is not, and has not been in the two years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies, unless otherwise determined by the Board and/or the shareholders of the Corporation;
 - c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election unless otherwise determined by the Board and/or the shareholders of the Corporation;
 - d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies, unless otherwise determined by the Board and/or the Shareholders of the Corporation;
 - e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
 - f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
 - g. Is not a securities broker-dealer of listed companies and registered issuers of securities.

“Securities broker-dealer” refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm’s length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;
- j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the covered company’s executives serve as directors.

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

- 5.6. The Board’s independent directors shall serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders’ approval during the annual shareholders’ meeting.
- 5.7. A director with a material or potential interest in any transaction affecting the corporation should fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction.
- 5.8. The non-executive directors (NEDs) should have separate 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, as may be necessary from time to time; provided that the same shall not result in a duplication of functions with the other Committees of the Corporation. The meetings shall be chaired by the lead independent director, if applicable.

6 ASSESSMENT OF BOARD PERFORMANCE

- 6.1. The Board shall conduct a regular periodic self-assessment of its performance, including the performance of the Chairman, individual members and committees. The Board shall adopt a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and as far as practicable, such system should allow for a feedback mechanism from the shareholders.
- 6.2. Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders. The Board, at its discretion, may adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of board members. Such Code shall be properly disseminated to the Board. It shall also be disclosed and made available to the public through the company website. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

7 DISCLOSURE AND TRANSPARENCY

- 7.1. As may be required by law and pertinent regulations, (a) all directors and officers shall disclose/report to the company any dealings in the company's shares within five business days; (b) the Board should 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; (c) the company should disclose all relevant information on its corporate governance policies and practices in the Annual Governance Report, which should be submitted to the Commission and continuously updated and posted on the company's website; (d) the company should provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report; (e) the Company shall disclose the remuneration of Directors on an individual basis, including termination and retirement provisions; (f) the company shall disclose Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions with the material or significant RPTs reviewed and approved during the year disclosed in its Annual Corporate Governance Report; (g) 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 and ideally, 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; (h) the governance policies, programs and procedures shall be submitted to the regulators and posted on the company's website; (i) the company should ensure that the material and reportable non-financial and sustainability issues are disclosed and it should disclose to all shareholders and other stakeholders the company's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues with emphasis on the management of environmental, economic, social and governance (EES) issues of its business which underpin sustainability and (j) the Board should 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.

- 7.2. As far as practicable and necessary, the company shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.
- 7.3. The company should have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.

8 ACCOUNTABILITY AND AUDIT

- 8.1. It is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.
- 8.2. Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
 - The extent of its responsibility in the preparation of the financial statement of the corporation with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
 - An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders;
 - The corporation should consistently comply with the financial reporting requirements of the Commission;

9 SHAREHOLDERS' BENEFIT

9.1. Rights of Shareholders'

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

9.1.1. Voting Rights

- a) Shareholders shall have the right to nominate, elect, remove and replace directors and vote/participate on certain corporate acts in accordance with the Corporation Code.
- b) Cumulative voting shall be used in the election of directors.
- c) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- d) The disclosure and clear explanation of the voting procedures, as well as removal of excessive or unnecessary costs and other administrative impediments, allow for the effective exercise of the shareholders' voting rights. Proxy voting may also be allowed.

- e) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes as may be provided under the Corporation's by-laws, the Revised Corporation Code and SEC Memorandum Circular 14-2020 or any amendments thereof.

9.1.2. Pre-emptive Right

All stockholders shall have pre-emptive rights, 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.

9.1.3. Power of Inspection and Information

- a) All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries and shall be furnished with annual reports, including financial statements, without cost or restrictions, in accordance with the Corporation Code and such other requirements prescribed by the Board.
- b) In accordance with the requirements of law, the Shareholders shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- c) Shareholders shall be provided sufficient information prior to voting on fundamental corporate changes such as: (1) amendments to the Articles of Incorporation and By-Laws of the company; (2) the authorization on the increase in authorized capital stock; and (3) extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company.
- d) The Board should establish an Investor Relations Office (IRO) or Customer Relations Office (CRO) to ensure constant engagement and communication with its shareholders. The IRO or CRO or its equivalent should be present at every shareholders' meeting. The IRO/CRO shall serve as an avenue to receive feedback, complaints and queries from shareholders assure their active participation with regard to activities and policies of the company. The IRO/CRO has a designated investor relations officer, email address and telephone number. Further, creating an Investor Relations Program ensures that all information regarding the activities of the company are properly and timely communicated to shareholders.

9.1.4. **Right to Dividends**

- a) Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- b) The Company shall be compelled to declare dividends when its 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.

9.1.5. **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:

- a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders 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;
- b) 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
- c) In case of merger or consolidation

9.1.6. **Directors' Duty to Promote Shareholder Rights**

The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting or such other periods as may be required under existing rules and regulations. 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 should be available on the company website within such number of days as may be practical under the circumstances, upon formal approval of such minutes.

The Board may make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. Such mechanism shall be determined by the Board on a case-to-case basis.

9.1.7. Stakeholders' Protection

The Corporation may adopt specific policies for the protection of its Stakeholders, which include customers, employees, suppliers, shareholders, investors, creditors, the community the company operates in, society, the government, regulators, competitors, external auditors, etc. In formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly affected by its operations. As may be necessary, the Board may establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders and adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

10 DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earning results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

11 EMPLOYEES' PARTICIPATION

11.1. A mechanism for employee participation shall be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes. The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.

11.2. The Board hereby declares that it is strongly against corrupt practices as contained in its Code of Conduct. The Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture.

11.3. 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 should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

12 POLICIES ON SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Corporation hereby recognizes and places an importance on the interdependence between business and society, 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.

For the Corporation:



RENE B. BENITEZ
Chairman



MARCOS E. LAROSA
Compliance Officer