



**MANUAL  
ON  
GOOD CORPORATE  
GOVERNANCE**

## TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>ARTICLE 1 DEFINITION OF TERMS .....</b>                                   | <b>3</b>  |
| <b>ARTICLE 2 THE BOARD OF DIRECTORS .....</b>                                | <b>5</b>  |
| <b>1. Composition of the Board .....</b>                                     | <b>5</b>  |
| <b>2. Non-discrimination .....</b>   | <b>5</b>  |
| <b>3. Training.....</b>  | <b>5</b>  |
| <b>4. Multiple Board Seats.....</b>  | <b>6</b>  |
| <b>5. The Chair and Chief Executive Officer.....</b>                         | <b>6</b>  |
| <b>ARTICLE 3 QUALIFICATIONS OF DIRECTORS.....</b>                            | <b>6</b>  |
| <b>ARTICLE 4 DISQUALIFICATIONS OF DIRECTORS.....</b>                         | <b>7</b>  |
| <b>1. Permanent Disqualification.....</b>                                    | <b>7</b>  |
| <b>2. Temporary Disqualification .....</b>                                   | <b>8</b>  |
| <b>ARTICLE 5 ROLES AND RESPONSIBILITIES OF THE BOARD .....</b>               | <b>9</b>  |
| <b>ARTICLE 6 BOARD COMMITTEES.....</b>                                       | <b>12</b> |
| <b>1. Committees.....</b>  | <b>12</b> |
| <b>a. Audit Committee.....</b>   | <b>12</b> |
| <b>b. Corporate Governance Committee .....</b>                               | <b>13</b> |
| <b>c. Board Risk Oversight Committee .....</b>                               | <b>13</b> |
| <b>d. Related Party Transaction Committee .....</b>                          | <b>13</b> |
| <b>2. Committee Charters .....</b>   | <b>14</b> |
| <b>ARTICLE 7 BOARD COMMITMENT .....</b>                                      | <b>14</b> |
| <b>ARTICLE 8 INDEPENDENT DIRECTOR .....</b>                                  | <b>14</b> |
| <b>ARTICLE 9 LEAD DIRECTOR .....</b>   | <b>16</b> |
| <b>ARTICLE 10 ABSTENTION .....</b>   | <b>17</b> |
| <b>ARTICLE 11 DISCLOSURE AND TRANSPARENCY .....</b>                          | <b>17</b> |
| <b>ARTICLE 12 INDEPENDENCE OF EXTERNAL AUDITORS .....</b>                    | <b>18</b> |
| <b>ARTICLE 13 NON-FINANCIAL AND SUSTAINABILITY REPORTING .....</b>           | <b>18</b> |
| <b>ARTICLE 14 ACCESS TO RELEVANT INFORMATION .....</b>                       | <b>19</b> |
| <b>ARTICLE 15 INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK.....</b> | <b>19</b> |
| <b>ARTICLE 16 RELATIONSHIP WITH SHAREHOLDERS .....</b>                       | <b>20</b> |
| <b>ARTICLE 17 DUTIES TO STAKEHOLDERS.....</b>                                | <b>22</b> |
| <b>ARTICLE 18 SUSTAINABILITY AND SOCIAL RESPONSIBILITY .....</b>             | <b>22</b> |

**SHAKEY'S PIZZA ASIA VENTURES INC.  
MANUAL ON GOOD CORPORATE GOVERNANCE**

We, the Board of Directors and Management of **SHAKEY'S PIZZA ASIA VENTURES INC.** (the "**Corporation**"), hereby commit ourselves to the principles and best practices contained in this Manual on Good Corporate Governance<sup>1</sup> (the "**Manual**").

**ARTICLE 1 DEFINITION OF TERMS**

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

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

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

**Board of Directors** : the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

**Management** : a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation.

**Independent director** : a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

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<sup>1</sup> This Manual supersedes the Revised Manual on Good Corporate Governance that was approved and adopted by the Corporation on July 31, 2014.

- Executive director** : a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- Non-executive director** : a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
- Conglomerate** : a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.
- Internal control** : a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
- Enterprise Risk Management** : a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
- Related Party** : shall cover the company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company; the company's directors; officers; shareholders and related interests ("DOSRI"), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other persons or juridical entity whose interests may pose a potential conflict with the interest of the company.
- Related Party Transactions** : a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding

transactions that re-entered into with an unrelated party that subsequently becomes a related party.

**Stakeholders** : any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

## ARTICLE 2 THE BOARD OF DIRECTORS

### 1. Composition of the Board

The Board should 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 should be composed of a majority of non-executive directors ("NEDs") 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 Board should have at least three independent directors ("IDs"), or such number as to constitute at least one-third of the members of the Board, whichever is higher.

The right combination of NEDs, which include IDs and executive directors ("EDs"), ensures that no director or small group of directors can dominate the decision-making process. Further, a board composed of a majority of NEDs assures protection of the company's interest over the interest of the individual shareholders. The Corporation determines the qualifications of the NEDs that enable them to effectively participate in the deliberations of the Board and carry out their roles and responsibilities.

### 2. Non-discrimination

No director or candidate for directorship shall be discriminated against by reason of gender, age, ethnicity, culture, skills, competence, and knowledge.

### 3. Training

All first-time directors should attend an eight (8)-hour orientation program covering SEC-mandated topics on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Conduct. All directors should also attend an annual four (4)-hour continuing training program involving courses on corporate governance and matters relevant to the Corporation, including audit, internal controls, risk management, sustainability and strategy.

#### **4. Multiple Board Seats**

The NEDs of the Board should concurrently serve as directors to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation.

A director should notify the Board where he/she is an incumbent director before accepting a directorship in another company. This is for the Corporation to be able to assess if his/her present responsibilities and commitment to the Corporation will be affected and if the director can still adequately provide what is expected of him/her.

#### **5. The Chair and Chief Executive Officer**

The positions of Chairman of the Board ("**Chair**") and Chief Executive Officer ("**CEO**") should be held by separate individuals and each should have clearly defined responsibilities.

This type of organizational structure facilitates effective decision-making and good governance. In addition, the division of responsibilities and accountabilities between the Chair and CEO is clearly defined and delineated and disclosed in the Board Charter.

### **ARTICLE 3 QUALIFICATIONS OF DIRECTORS**

1. 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.
2. As a board nomination policy, all directors to be nominated for election at the regular or special meeting of stockholders for the election of directors should have the qualifications and none of the disqualifications and that their nominations are fair, transparent and in compliance with applicable laws, rules and regulations as well as the Corporation's By-laws and this Manual.
3. In addition to the qualifications for membership in the Board provided in the Corporation Code, the Securities Regulation Code ("**SRC**") and other relevant laws,

the Board may provide for additional qualifications which include, among others, the following:

- (i) College education or equivalent academic degree;
  - (ii) Practical understanding of the business of the corporation;
  - (iii) Membership in good standing in relevant industry, business or professional organization; and
  - (iv) Previous business experience.
4. The Corporate Governance Committee shall provide for and observe a clear process in receiving and evaluating nominations to the Board in line with the Corporation's strategic directions and in accordance with its board diversity policy.

## **ARTICLE 4 DISQUALIFICATIONS OF DIRECTORS**

### **1. Permanent Disqualification**

The following may be considered as grounds for the permanent disqualification of a director:

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities as defined in the SRC; (b) arises out of a person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission, Bangko Sentral ng Pilipinas ("BSP") or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (a) such person is 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, SRC or any other law administered by the Commission or 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 participant of the organization;

- (iii) 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;
- (iv) Any person who has been adjudged by final judgment or order of the Commission, 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, SRC or any other law administered by the Commission or the BSP or any of its rules, regulations or orders;
- (v) Any person judicially declared as insolvent;
- (vi) 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 previously;
- (vii) Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and
- (viii) Such other grounds as the SEC may provide.

## **2. Temporary Disqualification**

The following may be grounds for the temporary disqualification of a director:

- (i) 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 his incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
- (ii) Dismissal or termination for cause as a director of any publicly listed company, public company, registered issuer of securities and holder of secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- (iii) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with; and

- (iv) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

## **ARTICLE 5 ROLES AND RESPONSIBILITIES OF THE BOARD**

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

1. 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 fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders and other stakeholders;
2. Oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the company's long-term viability and strength;
3. Ensure that it is headed by a competent and qualified Chairperson;
4. Ensure and adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This should 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;
5. Align the remuneration of key officers and board members with the long-term interests of the Corporation. In doing so, it should 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;
6. Have 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 Corporation;
7. 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 should 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;

8. Be primarily responsible for approving the selection and assessing 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);
9. Establish an effective performance management framework that will ensure that the performance of Management, including the CEO, and personnel is at par with the standards set by the Board and Senior Management;
10. 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;
11. Oversee that a sound enterprise risk management (“ERM”) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies;
12. 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;
13. Establish Board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities;
14. Establish an Audit Committee to enhance its oversight capability over the Corporation’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;
15. Establish a Corporate Governance Committee that should be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee;
16. Ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position;
17. 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 CEO are held by one person;
18. Conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator;

19. Have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders;
20. 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. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the company website;
21. Ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies;
22. 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;
23. Disclose fully 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. According to best practices and standards, proper disclosure includes directors and key officers' qualifications, share ownership in the company, membership of other boards, other executive positions, continuous trainings attended and identification of independent directors;
24. Have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance ("EESG") issues of its business, which underpin sustainability. Companies should adopt a globally recognized standard/framework in reporting sustainability and non-financial issues;
25. Ensure that basic shareholder rights are disclosed in this Manual and the Corporation's website;
26. Encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting;
27. 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 Corporation's website within five business days from the end of the meeting;
28. Make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner;

29. Establish an Investor Relations Office (“IRO”) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders’ meeting;
30. Identify the Corporation’s various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability;
31. Establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders;
32. Adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights;
33. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation’s goals and in its governance;
34. Set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation’s culture; and
35. 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.

## **ARTICLE 6 BOARD COMMITTEES**

### **1. Committees**

Board committees should be set up to the extent possible to support the effective performance of the Board’s functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in publicly available Committee Charters.

#### **a. Audit Committee**

The committee should be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

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

The Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

**b. Corporate Governance Committee**

The Corporate Governance Committee ("**CG Committee**") should be composed of at least three members, all of whom should be independent directors, including the Chairman. The CG Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

The establishment of a CG Committee does not preclude the Corporation from establishing separate Remuneration or Nomination Committees, if it deems necessary.

**c. Board Risk Oversight Committee**

Subject to the Corporation's size, risk profile 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 Risk Management system to ensure its functionality and effectiveness.

The BROC should be composed of at least three members, the majority of whom should be independent directors, including the Chair. The Chair should not be the Chair 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.

The BROC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place.

**d. Related Party Transaction Committee**

Subject to the Corporation's size, risk profile and complexity of operations, the Board should establish a Related Party Transaction ("**RPT**") Committee, which should be tasked with reviewing all material related party transactions of the Corporation.

The RPT Committee is tasked with reviewing all material related party transactions of the company and should be composed of at least three non-executive directors, two of whom should be independent, including the Chairman.

## **2. Committee Charters**

All established committees should be required to 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. It should also be fully disclosed on the company's website.

The Committee Charter clearly defines the roles and accountabilities of each committee to avoid any overlapping functions, which aims at having a more effective board for the company. This can also be used as basis for the assessment of committee performance.

## **ARTICLE 7 BOARD COMMITMENT**

1. The directors should 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 should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.
2. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.
3. The non-executive directors of the Board should concurrently serve as directors to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation.
4. A director should notify the Board where he/she is an incumbent director before accepting a directorship in another company. This is for the Corporation to be able to assess if his/her present responsibilities and commitment to the Corporation will be affected and if the director can still adequately provide what is expected of him/her.

## **ARTICLE 8 INDEPENDENT DIRECTOR**

1. The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.
2. 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 three 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;
  - 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 three years immediately preceding his election;
  - 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;
  - 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 three 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;

- 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 Corporation's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

3. The Board's IDs should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from reelection as such in the Corporation, 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.
4. IDs who have served for nine years may continue as a non-independent director of the Corporation. Reckoning of the cumulative nine-year term is from 2012.
5. Any term beyond nine years for an ID is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must provide a meritorious justification for the re-election.

## **ARTICLE 9 LEAD DIRECTOR**

1. 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 Chairman of the Board and Chief Executive Officer are held by one person.
2. This lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest. The functions of the lead director include, among others, the following:
  - (i) Serves as an intermediary between the Chairman and the other directors when necessary;
  - (ii) Convenes and chairs meetings of the non-executive directors; and
  - (iii) Contributes to the performance evaluation of the Chairman, as required.

## ARTICLE 10 ABSTENTION

A director with a material interest in any transaction affecting the Corporation should abstain from taking part in the deliberations for the same. The abstention of a director from participating in a meeting when related party transactions, self-dealings or any transactions or matters on which he/she has a material interest are taken up ensures that he has no influence over the outcome of the deliberations. The fundamental principle to be observed is that a director does not use his position to profit or gain some benefit or advantage for his himself and/or his/her related interests.

## ARTICLE 11 DISCLOSURE AND TRANSPARENCY

1. The Corporation should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.
2. The Corporation should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days. Directors often have access to material inside information on the company. Hence, to reduce the risk that the directors might take advantage of this information, it is crucial for the Corporation to have a policy requiring directors to timely disclose to the Corporation any dealings with the company shares. It is emphasized that the policy is on internal disclosure to the Corporation of any dealings by the director in company shares. This supplements the requirement of Rules 18 and 23 of the SRC.
3. A disclosure on the board members and key executives' information is prescribed under Rule 12 Annex C of the SRC. According to best practices and standards, proper disclosure includes directors and key officers' qualifications, share ownership in the company, membership of other boards, other executive positions, continuous trainings attended and identification of independent directors.
4. The Corporation 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. Also, the Corporation should disclose the remuneration on an individual basis, including termination and retirement provisions.
5. The Corporation should disclose its policies governing RPTs and other unusual or infrequently occurring transactions. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report.
6. The Corporation should 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.

7. The Corporation should post this Manual which contains the Corporation's corporate governance policies, programs, and procedures on the Corporation's website.

## **ARTICLE 12 INDEPENDENCE OF EXTERNAL AUDITORS**

1. The Corporation should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.
2. The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.
3. The Audit Committee Charter 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.
4. The Corporation 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. 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.

## **ARTICLE 13 NON-FINANCIAL AND SUSTAINABILITY REPORTING**

1. The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability.
2. The Corporation should adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

3. As external pressures including resource scarcity, globalization, and access to information continue to increase, the way the Corporation responds to sustainability challenges, in addition to financial challenges, determines their long-term viability and competitiveness. One way to respond to sustainability challenges is disclosure to all shareholders and other stakeholders of the Corporation's strategic (long-term goals) and operational objectives (short-term goals), as well as the impact of a wide range of sustainability issues. Disclosures can be made using standards/frameworks, such as the G4 Framework by the Global Reporting Initiative (GRI), the Integrated Reporting Framework by the International Integrated Reporting Council (IIRC) and/or the Sustainability Accounting Standards Board (SASB)'s Conceptual Framework.

#### **ARTICLE 14 ACCESS TO RELEVANT INFORMATION**

1. The Corporation should 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.
2. The manner of disseminating relevant information to its intended users is as important as the content of the information itself. Hence, it is essential for the Corporation to have a strategic and well-organized channel for reporting. These communication channels can provide timely and up-to-date information relevant to investors' decision-making, as well as to other interested stakeholders.

#### **ARTICLE 15 INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**

1. The Corporation should 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.
2. An adequate and effective internal control system and an enterprise risk management framework help sustain safe and sound operations as well as implement management policies to attain corporate goals. An effective internal control system embodies management oversight and control culture; risk recognition and assessment; control activities; information and communication; monitoring activities and correcting deficiencies. Moreover, an effective ERM framework typically includes such activities as the identification, sourcing, measurement, evaluation, mitigation and monitoring of risk.
3. The Corporation 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 Corporation's operations.

A separate internal audit function is essential to monitor and guide the implementation of company policies. It helps the Corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the Corporation's governance, risk management and control functions.

4. In managing the Corporation's Risk Management System, the Corporation should have a Chief Risk Officer ("CRO"), who is the ultimate champion of Enterprise Risk Management and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the Corporation's size, risk profile and complexity of operations.
5. There should be clear communication between the Board Risk Oversight Committee and the CRO.

## **ARTICLE 16 RELATIONSHIP WITH SHAREHOLDERS**

1. The Board should ensure that basic shareholder rights are disclosed in the Corporation's website.
2. It is the responsibility of the Board to adopt a policy informing the shareholders of all their rights. Shareholders are encouraged to exercise their rights by providing clear-cut processes and procedures for them to follow.
3. Shareholders' rights relate to the following, among others:
  - Pre-emptive rights;
  - Dividend policies;
  - Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
  - Right to nominate candidates to the Board of Directors;
  - Nomination process; and
  - Voting procedures that would govern the Annual and Special Shareholders' Meeting.
4. The right to propose the holding of meetings and items for inclusion in the agenda is given to all shareholders, including minority and foreign shareholders. However, to prevent the abuse of this right, the Corporation may require that the proposal be made by shareholders holding a specified percentage of shares or voting rights. On the other hand, to ensure that minority shareholders are not effectively prevented from exercising this right, the degree of ownership concentration is considered in determining the threshold.
5. All shareholders must be given the opportunity to nominate candidates to the Board of Directors in accordance with the existing laws. The procedures of the nomination process are expected to be discussed clearly by the Board. The Corporation is

encouraged to fully and promptly disclose all information regarding the experience and background of the candidates to enable the shareholders to study and conduct their own background check as to the candidates' qualification and credibility.

6. Shareholders are also encouraged to participate when given sufficient information prior to voting on fundamental corporate changes such as: (a) amendments to the Articles of Incorporation and By-Laws of the Corporation; (b) the authorization on the increase in authorized capital stock; and (c) extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company.

In addition, 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. Poll voting is highly encouraged as opposed to the show of hands. Proxy voting is also a good practice, including the electronic distribution of proxy materials.

7. The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.
8. The Board should 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 Corporation's website within five business days from the end of the meeting.
9. Voting results include a breakdown of the approving and dissenting votes on the matters raised during the Annual or Special Stockholders' Meeting. When a substantial number of votes have been cast against a proposal made by the Corporation, it may make an analysis of the reasons for the same and consider having a dialogue with its shareholders.
10. The Minutes of Meeting include the following matters: (1) A description of the voting and the vote tabulation procedures used; (2) the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the directors, officers and shareholders who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.
11. The Board should make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

As may be deemed proper by the Board, it may establish and maintain an alternative dispute resolution system including senior management consultations, mediations, conciliations and arbitration that can amicably settle in a fair and expeditious manner

conflicts and differences with counterparties, particularly with shareholders and other key stakeholders.

12. The Board should establish an Investor Relations Office (“IRO”) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders’ meeting.

## **ARTICLE 17 DUTIES TO STAKEHOLDERS**

1. The Board should identify the Corporation’s various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability.
2. Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, investors, creditors, the community the company operates in, society, the government, regulators, competitors, external auditors, etc. In formulating the Corporation’s strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the Corporation and are directly affected by its operations.
3. The Board should establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. In instances when stakeholders’ interests are not legislated, the Corporation’s voluntary commitments ensure the protection of the stakeholders’ rights.
4. The Board should adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights. It is crucial for the Corporation to maintain open and easy communication with its stakeholders. This can be done through stakeholder engagement touchpoints in the Corporation, such as the Investor Relations Office, Office of the Corporate Secretary, Customer Relations Office, and Corporate Communications Group.

## **ARTICLE 18 SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

1. The Corporation recognizes and places an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates.
2. The Corporation’s value chain consists of inputs to the production process, the production process itself and the resulting output. Sustainable development means that the Corporation not only complies with existing regulations, but also voluntarily employs value chain processes that takes into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the Corporation plays an indispensable role alongside the government and civil society in

contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

Approved by the Board of Directors on \_\_\_\_\_.

Certified Correct:

\_\_\_\_\_  
**Christopher T. Po**  
Chairman of the Board