

**FILINVEST REIT CORP.**  
(formerly CYBERZONE PROPERTIES, INC.)

**REVISED MANUAL ON CORPORATE GOVERNANCE**

**I. PREFATORY STATEMENT**

Pursuant to SEC Memorandum Circular No. 24, Series of 2019, the Board of Directors and Management of FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.) (the “Corporation”) hereby establish and adopt its updated corporate governance rules and commit themselves to the principles and best practices contained in this Revised Manual on Corporate Governance (“Revised Manual”) in the pursuit of the Corporation’s goals.

**II. OBJECTIVE**

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

**III. COMPLIANCE SYSTEM**

**A. Board of Directors**

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

It shall be the Board’s responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

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

**A.1. Composition of the Board**

The Board shall be composed of at least five (5) but not more than fifteen (15) members elected by the shareholders. The Corporation shall have at least two (2) independent directors or such independent directors as shall constitute at least twenty percent (20%) of the members of such Board, whichever is higher. The Board should designate a lead director among the independent directors if the Chairperson of the Board is not independent.

The election, qualifications and disqualifications of the independent directors shall be incorporated in the By-Laws of the Corporation.

The Board shall include a balance of executive and non-executive directors (including independent non-executives), having a clear division of responsibilities such that no individual or small group of individuals can dominate the Board's decision-making. The non-executive directors shall be given the opportunity to have exclusive and periodic meetings with the external auditors and heads of the internal audit, compliance and risk functions.

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

The Corporation recognizes the benefits of having a diverse Board, and its increasing value in maintaining sound corporate governance, achieving strategic objectives, realizing sustainable growth and balanced development.

In designing the Board's composition, diversity shall be considered from various aspects including but not limited to age, gender, ethnicity, cultural and educational background, skills, competence and knowledge. These variables shall be taken into account in the selection and nomination of candidates to the Board. The Board shall also strive to ensure that there is appropriate representation of women in the Board. Moreover, the Corporation recognizes that both social diversity (e.g., gender, race/ethnicity, and age diversity) and professional diversity are important for bringing different perspectives in order to arrive at thorough and intelligent decisions on matters that require the board's approval.

## **A.2. General Responsibilities of the Board of Directors**

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

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

## **A.3. Specific Duties and Functions of the Board of Directors**

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

- a. Oversee the development of and approve the Corporation's business and strategy, and monitor its implementation, in order to sustain the Corporation's long-term viability and strength;

- b. Ensure and adopt an effective succession planning program for directors, key officers and Management to ensure the continuous consistent growth of the Corporation. This includes adopting a retirement policy for directors and key officers;
- c. Align the remuneration of key officers and board members with the long-term interests of the Corporation and formulate and adopt a policy specifying the relationship between remuneration and performance. No director should participate in the determination of his/her own per diem or compensation;
- d. Maintain a formal and transparent board nomination and election policy that includes how it accepts nominations from its shareholders and reviews the qualifications of nominated candidates. It should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election or replacement/removal of a director;
- e. Ensure that there is a policy and system governing related party transactions (RPT) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality;
- f. Approve the selection and assessment of the performance of Management led by the President and Chief Executive Officer and control functions led by their respective heads;
- g. Establish an effective performance evaluation framework which includes the standard or criteria for assessment that will ensure that the management's performance is at par with the standards set by the Board;
- h. Oversee that an internal control system is in place, including the setting up of a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management and shareholders;
- i. Adopt an Internal Audit Charter;
- j. Adopt a Code of Business Conduct and Ethics, which would include an anti-corruption policy and 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 and shall be disclosed and made available to the public through the Corporation website;
- k. Establish corporate disclosure policies and procedures to ensure a comprehensive, reliable and timely report to all stakeholders on the Corporation's financial condition, results and business operations;
- l. Adopt a policy requiring all directors and officers to disclose/report to the Corporation any dealings in the Corporation's shares by the said directors/officers within five (5) business days;
- m. Establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders;

- n. Establish policies, programs and procedures that encourages employees to actively participate in the realization of the Corporation's goals and in its governance, including policies and programs on the health, safety and welfare of its employees, manpower training and development, and employee reward/compensation;
- o. Establish a framework for whistleblowing that allows employees to have direct access to an independent members of the Board or a unit created to handle whistleblowing concerns, and supervise and ensure its enforcement;
- p. Oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks;
- q. Ensures that the Corporation is socially responsible in all its dealings with the communities in which it operates and that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development; and
- r. Maintain a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties which should be made publicly available.

#### **A.4. Duties and Responsibilities of a Director**

A director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. A director should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress. He/she should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all shareholders and other stakeholders.

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

A director with a material or potential interest in any transaction affecting the Corporation should fully disclose his/her adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction.

Non-executive directors may 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. The meetings should be chaired by the lead independent director, if applicable.

#### **A.5. Internal Control Responsibilities of the Board**

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

- a. The minimum internal control mechanisms for the Board's oversight responsibility may include:
  - Defining the duties and responsibilities of the CEO
  - Selecting or approving an individual with appropriate ability, integrity and experience to fill the CEO role
  - Reviewing proposed senior management appointments
  - Ensuring the selection, appointment and retention of qualified and competent management
  - Reviewing the Corporation's personnel and human resource policies and sufficiency, conflict of interest situations, changes to the compensation plan for employees and officers, and management succession plan
- b. The minimum internal control mechanisms for management's operational responsibility would center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

#### **A.6. Board Meetings and the Quorum Requirement**

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

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

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

#### **A.7. Remuneration of the Members of the Board and Officers**

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

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

#### **A.8. The Chairperson and the Chief Executive Officer (CEO)**

The function of the Chairperson is to preside at all the meetings of the stockholders and the Board of the Directors. He may also call special meetings of the stockholders and Board of Directors pursuant to the Corporation's By-laws.

The President, who shall be elected by the Board from among its members shall, subject to the control of the Board, have direct and immediate supervision over the long-term and daily operations and management of the Corporation and shall execute and administer the administrative and operational policies approved by the Board. He shall also exercise such powers as may be vested upon him by the Board not incompatible with law or the Corporation's By-laws. He may, at his discretion, delegate to a CEO some of his responsibilities subject to such rules and limitations as the Board may prescribe.

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

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

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

- a. Preside all the meetings of the stockholders and the Board and ensures that

such meetings are held in accordance with the By-Laws of the Corporation or as the Chairperson may deem necessary;

- b. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, the Management and the Directors;
- c. Provide leadership in the Board by ensuring effective functioning of the Board and maintaining a relationship of trust with board members;
- d. Ensure that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- e. Make 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;
- f. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- g. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- h. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- i. Make sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

## **B. Board Committees**

The Board shall constitute committees to support the effective performance of the Board's functions. The composition, functions and responsibilities of all board committees should be contained in their respective board committee charters.

### **B.1. Audit and Risk Management Committee**

The Board shall constitute an Audit and Risk Management Committee responsible for maintaining a sound system of internal control and oversight of the Corporation's Enterprise Risk Management System to ensure its function and effectiveness. It shall be composed of at least three (3) non-executive directors, with accounting and financial background, 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 Audit and Risk Management Committee shall have the following duties and responsibilities:

Internal Audit

- a. Recommend 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, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets;
- c. Oversee the IA Department, and recommend 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. For this purpose, he should directly report to the Audit Committee;
- e. Monitor the management's responsiveness to the Internal Auditor's findings and recommendations;
- f. Prior to the commencement of the audit, discuss 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 identify proper coverage and minimize duplication of efforts;
- g. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his/her independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- h. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- i. Review the recommendation in the External Auditor's management letter;



- j. Establish standard for the selection of and assess the integrity and independence of the External Auditor, as well as review and monitor the External Auditor's suitability and effectiveness on an annual basis;
- k. Perform oversight functions over the corporation's Internal and External Auditors and ensure their integrity and independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- l. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- m. Recommend 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 shareholders;
- n. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- o. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluate 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 Corporation are misappropriated or misapplied;
- p. In case of the absence of an RPT Committee:
  - Determine any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee shall take into account, among others, the following:
    1. The related party's relationship to the Corporation 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 Corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
  - Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation'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 Corporation's affiliation or transactions with other related parties;

- Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
  - Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
  - Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures;
- q. Meet internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meet with the head of the IA.

#### Risk Management

- a. Develop 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. Oversee the implementation of the ERM plan. The committee conducts regular discussions on the Corporation'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. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The committee should revisit 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. Advise the Board on its risk appetite levels and risk tolerance limits;
- e. Review at least annually the Corporation'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 Corporation;
- f. Assess the probability of each identified risk becoming a reality and estimate 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. Oversee 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. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

## **B.2. Corporate Governance Committee**

The Board may constitute a Corporate Governance Committee consisting of at least three (3) Director-members, majority of whom should be independent directors, including the Chairperson. It has, among others, the following duties and functions:

- a. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board and its committees as well as the executive management, and conduct an annual evaluation of the said performance;
- c. Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommend the 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. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Propose and plan relevant trainings for the members of the Board;
- g. Act as nomination committee and determines the nomination and election process for the Corporation's directors and defines the general profile of board members that the Corporation may need, and ensure that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election;
- h. Establish a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the corporation's culture and business strategy as well as the business environment in which it operates; and

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

The Corporate Governance Committee, acting as the Nominations Committee, may consider the following guidelines in the determination of the number of directorships for the Board:

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

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. Non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies. An incumbent director should notify the Board before accepting a directorship in another Corporation.

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

Qualifications

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

Permanent Disqualifications

- (1) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (i) involves the purchase or sale of securities as defined in the Securities Regulations Code; (ii) 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; and (iii) arises out of his relationship with a bank, quasi-bank, trust Corporation, investment house or as an affiliated person of any of them;

- (2) Any person who, by reason of any misconduct, after hearing, is permanently by a final judgment or order of the Commission or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a Director or officer of a bank, quasi-bank, trust Corporation, investment house, investment Corporation; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraph (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (i) 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 under the Revised Corporation Code, Securities Regulation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or under any rule or regulation promulgated by the Commission or Bangko Sentral ng Pilipinas, (ii) such person has otherwise been restrained to engage in any activity involving securities and banking; or (iii) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership or participation or association with a member or participant of the organization;

- (3) 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;
- (4) Any person who has been adjudged by final judgment by the Commission, Bangko Sentral ng Pilipinas, court of competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Revised Corporation Code of the Philippines, or any other law, rule, regulation or order administered by the Commission, or Bangko Sentral ng Pilipinas;
- (5) Any person judicially declared as insolvent;
- (6) Any person finally found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- (7) Conviction by final judgment of an offense punishable by imprisonment more than six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of his/her election or appointment.
- (8) Other grounds as the Commission may provide.

Temporary Disqualifications

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

The Committee may also pre-screen and shortlist all candidates nominated to become independent directors, taking into account the following qualifications and disqualifications, in addition to the qualifications and disqualifications of a member of the Board of Directors set forth above:

- “Independent director” means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:
  1. Is not, or has not been a senior officer or employee of the covered Corporation unless there has been a change in the controlling ownership of the Corporation;

2. Is not, and has not been in the two (2) years immediately preceding the election, a director of the covered Corporation; a director, officer, employee of the covered Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered Corporation's substantial shareholders and its related companies, except when the same shall be an independent director of any of the foregoing;
3. Has not been appointed in the covered Corporation, its subsidiaries, associates, affiliates or related companies as Chairperson "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;
4. Is not an owner of more than two percent (2%) of the outstanding shares of the covered Corporation, its subsidiaries, associates, affiliates or related companies;
5. Is not a relative of a director, officer, or substantial shareholder of the covered Corporation 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;
6. Is not acting as a nominee or representative of any director of the covered Corporation 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 shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
7. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered Corporation, 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 (2) years immediately preceding the date of his election;
8. 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 Corporation 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;
9. Is not affiliated with any non-profit organization that receives significant funding from the covered Corporation or any of its related companies or substantial shareholders; and

10. Is not employed as an executive officer of another Corporation where any of the covered Corporation's executives serve as directors.

- When used in relation to the Corporation subject to the requirements above:
  - “Related Corporation” means another Corporation which is: (a) its holding Corporation, (b) its subsidiary, or (c) a subsidiary of its holding Corporation; and
  - “Substantial shareholder” means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.
- An independent director of the Corporation shall have the following qualifications:
  - (1) He shall have at least one (1) share of stock of the Corporation;
  - (2) He shall be at least a college graduate or he shall have been engaged in or exposed to the business of the Corporation for at least five (5) years;
  - (3) He shall possess integrity/probity; and
  - (4) He shall be assiduous.
- He shall likewise be disqualified during his tenure under the following instances or causes:
  - (1) He becomes an officer or employee of the Corporation, or no longer qualifies based on the definition of an “Independent Director” indicated above;
  - (2) His beneficial security ownership exceeds 10% of the outstanding capital stock of the Corporation;
  - (3) He fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family member.
  - (4) If he becomes disqualified under any of the grounds stated in the Corporation’s Revised Manual on Corporate Governance.
- Pursuant to SEC Memorandum Circular No. 09, Series of 2011, as amended by SEC Memorandum Circular No. 04, Series of 2017, the following additional guidelines shall be observed in the qualification of individuals to serve as independent directors:
  - (1) There shall be no limit in the number of covered companies that a person may be elected as independent director, except in business conglomerates where an independent director can be elected to only five (5) companies of the conglomerate, i.e., parent Corporation, subsidiary or affiliate;
  - (2) The independent director shall serve for a maximum cumulative term of nine (9) years, after which the independent director shall be perpetually barred from re-election as such in the same Corporation, but may continue to qualify as non-independent director;
  - (3) In the instance that a Corporation wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious



- justification/s and seek shareholders' approval during the annual shareholders' meeting; and
- (4) The reckoning of the cumulative nine-year term is from 2012.

### **B.3. Compensation Committee**

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

#### Duties and Responsibilities

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

### **C. Supply Information**

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

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

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

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

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

#### **D. Accountability and Audit**

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

- a. Present a balanced and understandable assessment of the Corporation's position and prospects, including material and reportable non-financial and sustainability issues. The Board's responsibility to present a balanced and understandable assessment should extend to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
- b. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
- c. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
- d. Maintain a sound and effective system of internal control to safeguard stakeholders' investment and the Corporation's assets for the benefit of all stockholders and other stakeholders;
- e. Based on the approved audit plans, scope and frequency of audits, ensure that the internal audit examinations cover, at least, the evaluation of the adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;

- f. Ensure that the Corporation consistently complies with the financial reporting requirements of the Commission.
- g. Require the chief executive to render to the Audit and Risk Management Oversight Committee and senior management an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit and Risk Management Oversight Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management. The chief audit executive's annual report shall likewise be made available to the stockholders of the Corporation. Internal auditors shall report that their activities are "conducted in accordance with the Standards for Professional Practice of the Internal Auditing". Otherwise, the chief audit executive shall disclose to the Board and senior management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.
- h. The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.

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

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

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

## **E. The Corporate Secretary**

The Corporate Secretary is an officer of the Corporation. He/she shall have a working knowledge of the Corporation's operations and the appropriate administrative and interpersonal skills required of the position. Primarily responsible to the Corporation and its shareholders, he/she shall be loyal to the vision, mission and objectives of the Corporation.

The Corporate Secretary should be a separate individual from the Compliance Officer and should not be a member of the Board of Directors. He/she should annually attend a training on corporate governance.

#### Duties and Responsibilities

- Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of their meetings and board calendar;
- Safekeeps and preserves the integrity of the minutes of the meetings of the Board, board committees and shareholders, as well as the other official records of the Corporation;
- Keeps abreast of the relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- Works fairly and objectively with the Board, Management and shareholders/members and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;
- Advises on the establishment of board committees and their terms of reference;
- Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, 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;
- Attends all board meetings, except when justifiable causes, such as illness, death in the family and serious accidents, prevent him from doing so;
- Performs all required administrative functions;
- Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- Performs such other duties and responsibilities as may be provided by the Board and the SEC.

#### **F. Compliance Officer**

To insure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall hold the position of at least a Senior Vice President or its equivalent with adequate stature and authority in the Corporation. He/She shall have direct reporting responsibilities to the Chairperson of the Board.

The Compliance Officer shall perform the following duties:

- Ensures proper onboarding of new directors, including orientation on the Corporation's business, articles of incorporation and by-laws, among others;
- 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;
- Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;

- Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
- Collaborates with other departments within the Corporation to properly address compliance issues, which may be subject to investigation;
- Identifies possible areas of compliance issues and works towards the resolution of the same;
- Ensures the attendance of board members and key officers to relevant trainings; and
- Performs such other duties and responsibilities as may be provided by the Board and the SEC.

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

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

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

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

The Internal Auditor shall report to the Audit and Risk Management Committee.

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

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

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

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

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

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

The Corporation shall maintain a website which should contain, among others, this Revised Manual, the Board Charter, committee charters, and the Code of Business Conduct and Ethics.

## **V. TRAINING PROCESS**

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

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

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

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

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

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

All disclosed information shall be released in accordance with the rules of the Commission as well as through the annual report.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information with the Commission for the interest of its stockholders and other stakeholders.

## **VII. SHAREHOLDERS' BENEFIT**

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

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

A. Voting Right

1. Shareholders shall have the right to nominate, elect, remove and replace directors and participate on the approval of material corporate acts in accordance with the Revised Corporation Code.
2. Cumulative voting shall be used in the election of directors.
3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

B. Power of Inspection

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

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

C. Right to Information

1. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".
4. Active shareholder participation shall be encouraged by sending of the notices of annual meetings at least 21 days before the meeting and by making the results of votes on matters taken up during the meetings publicly available. Minutes of the shareholders' meetings should be available on the Corporation website within five (5) business days from the date of the meeting.

D. Right to Dividends

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

E. Appraisal Right

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

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

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

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



- H. The Board shall make available an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner and establish an Investor Relations Office (IRO) or its equivalent to ensure constant engagement and communication with its shareholders. The IRO should be present at every shareholders' meeting.

**VIII. MONITORING AND ASSESSMENT**

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

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

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

(Sgd.)  
**L. JOSEPHINE GOTIANUN-YAP**  
Chairperson of the Board

(Sgd.)  
**MARIA VICTORIA REYES-BELTRAN**  
Compliance Officer