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SEC Registration Number

F I L I P I N O F U N D , I N C .

(Company's Full Name)

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T A G U I G C I T Y , M E T R O M A N I L A , P H I L S .

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

JONNA C. LLAGUNO

(Contact Person)

(632) 8898 7522/ 8898 7578

(Company Telephone Number)

1 2 3 1

Month Day (Fiscal Year)

AMENDED MANUAL ON CORPORATE GOVERNANCE

(Form Type)

Month Day

(Annual Meeting)

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

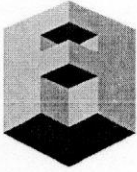
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Filipino Fund, Inc.

**FIFTH AMENDED**  
**MANUAL ON CORPORATE GOVERNANCE OF**  
**FILIPINO FUND, INC. ('FFI')**

To Comply with SEC Memorandum Circular No. 24, Series of 2019

The Board of Directors (the "Board") of Filipino Fund, Inc. ("Corporation"/"Fund"), working closely with its Fund Manager, hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

**1. OBJECTIVE**

This Manual shall institutionalize the principles of good corporate governance in the entire organization. The Board believes that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

For purposes of this Manual, "corporate governance" means the framework of rules, systems and processes in the Corporation that governs the performance of the Board and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers/clients, employees, suppliers, financiers, government and community in which it operates.

**2. COMPLIANCE SYSTEM**

**2.1 The Compliance Officer**

To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer. The Compliance Officer need not have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation, but he/she must be able to faithfully comply with the duties set forth below. The Compliance Officer should not be a member of the Board and should annually attend a training on Corporate Governance. The Compliance officer is primarily liable to the Corporation and its members, and not to the Chairman or President of the Corporation. The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission ("SEC") on SEC Form 17-C. All correspondence relative to his/her functions as such shall be addressed to said Compliance Officer.

The Compliance Officer shall perform the following duties:


1. Monitor compliance with the provisions and requirements of this Manual;
2. Appear before the SEC upon summons on similar matters that need to be clarified by the same;
3. Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
4. Identify, monitor, and control compliance risks;
5. Coordinate closely with the Corporation's Fund Manager to ensure the Fund Manager's compliance with its avowed responsibility/ies to the Fund and its shareholders;
6. Act as the Board's and the Fund Manager's Liaison Officer;
7. Issue a certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s for the deviation;
8. Identify and monitor compliance with this Manual and the rules and regulations of regulatory agencies, and take appropriate corrective measures to address all regulatory issues and concerns;
9. Ensure proper onboarding of new directors (*i.e.*, orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
10. Report to the Board if violations are found and recommend the imposition of appropriate disciplinary actions;
11. Ensure the integrity and accuracy of all documentary submissions to regulators;
12. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
13. Identify possible areas of compliance issues and work towards the resolution of the same;
14. Ensure the attendance of board members and key officers to relevant trainings; and
15. Perform such other duties and responsibilities as may be provided by the SEC.

## 2.2 Plan of Compliance

### 2.2A Board of Directors

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

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.

### **2.2A.1 General Responsibility**

A director's office is one of trust and confidence. He shall act on a fully-informed basis, in good faith, and in a manner characterized by transparency, accountability and fairness. He shall foster the long-term success of the Corporation, and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders and other stakeholders. He shall also 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.

### **2.2A.2 Specific Duties and Functions**

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, and in close coordination with the Corporation's duly registered Fund Manager, the following duties and responsibilities:

1. Determine the Corporation's purpose, investment objectives, its vision and mission and strategies to carry out its objectives;
  2. Ensure that the Corporation complies with all relevant laws and regulations, more particularly, the Investment Company Act and codes of best business practices;
  3. Adopt a system of internal checks and balances;
  4. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
  5. Properly discharge Board functions by meeting regularly with the Corporation's Fund Manager. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
  6. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations;
  7. Comprise the Audit Committee, which shall monitor the risks of the credit market, liquidity, operational, legal and other risks of the Fund and ensure compliance with existing laws, rules and regulations in coordination with the Compliance Officer;
  8. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
  9. Appoint competent, professional, honest and highly motivated management officers;
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10. Adopt an effective succession planning program for management;
11. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures;
12. Establish programs that can sustain its long-term viability and strength;
13. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and management's overall performance;
14. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices;
15. Establish and maintain an investor relations program that will keep the stockholder informed of important developments in the Corporation. If feasible, the Corporation's President or CFO shall exercise oversight responsibility over this program;
16. Identify the Corporation's stakeholders in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
17. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major/**substantial** stockholders, officers and directors, including their spouses, children, dependent siblings and parents, **and relatives within the fourth degree of consanguinity or affinity, legitimate or common-law, of interlocking director relationships by members of the Board, or an entity that is controlled, jointly-controlled or significantly-influenced or -managed by a person who is a related party, as well as other unusual or infrequently occurring transactions, particularly those that meet certain thresholds of materiality.** In this connection, the Board shall ensure that said policies and procedures are in place and will be reviewed regularly to guarantee fairness and transparency of the transactions;
18. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;
19. Meet at such times or frequency as may be needed. The minutes of such meetings shall be recorded;
20. Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-laws, and in accordance with existing laws, rules and regulations;
21. Oversee the development of and approve the Corporation's business objectives and strategies, and monitor their implementation, in order to sustain the Corporation's long-term viability and strength;
22. Approve the selection and assessment of the performance of the Management led by the President and control functions led by their respective heads. In this connection, the Board shall establish an effective

- performance management framework that will ensure that the Management, including the President, and personnel's performance is at par with the standards set by the Board and Senior Management;
23. 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;
  24. Oversee that a sound enterprise risk management framework ("ERM") is in place to effectively identify, monitor, assess and manage key business risks;
  25. Establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders;
  26. Adopt a transparent framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights;
  27. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance;
  28. Adopt a Board Charter that formalizes and clearly states its roles, responsibilities, and accountability in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the Corporation's website;
  29. 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 shall be properly disseminated to the Board, senior management and employees. It shall also be disclosed and made available to the public through the Corporation's website. In this connection, the Board shall ensure the proper and efficient implementation and monitoring of compliance of such Code;
  30. Adopt an anti-corruption policy and program in its Code of Conduct. The policy and program shall be disseminated to employees across the organization through trainings to embed them in the Corporation's culture; and
  31. 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.

### **2.2A.3 Duties and Responsibilities of 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. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

A director shall have the following duties and responsibilities:

1. To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
2. To devote time and attention necessary to properly discharge his duties and responsibilities;
3. To act judiciously;
4. To exercise independent judgment;
5. To have a working knowledge of the statutory and regularly requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;
6. To observe confidentiality;
7. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment;
8. To attend and actively participate in all meetings of the Board Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the applicable rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevents him/her from doing so;
9. To review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations;
10. To abstain from taking part in deliberations relating to a transaction which he/she has a material interest in; and
11. To notify the Board before accepting a directorship in another company.

## 2.2B Qualification of Board of Directors

1. The Board shall consist of seven (7) members majority of whom shall be non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. There shall be at least two (2) members who shall be independent directors.

**An executive director is a director who has executive responsibility of the day-to-day operations of a part or the whole of the Corporation.**

**A non-executive director is a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the Corporation.**

2. The Board shall be composed of men and women who because of their age, skills, competence, and knowledge are able to effectively carry out their positions as members of the Board.
3. No person shall be elected as director unless he is a Filipino citizen.
4. Holder of at least Five Thousand (5,000) shares of stock of the Corporation;
5. He shall be at least a college graduate or have a sufficient experience in managing the business to substitute for such formal education;
6. He shall be at least twenty one (21) years old;
7. He shall be diligent and have proven to possess integrity and probity;
8. Directors/Officers should not have any of the following disqualifications:
  - 8.1 Any person who within ten (10) years has been convicted of any felony or misdemeanor involving the purchase or sale of any security or arising out of such person's conduct as an underwriter, broker, dealer, or investment adviser, or as an affiliated person, salesman, or employee or any investment company, bank, or insurance company;
  - 8.2 Any person who, by reason of any misconduct, is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, or investment adviser, or as affiliated person, salesman, or employee of any investment company, bank, or insurance company; (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) or willfully violating the laws that govern securities and banking activities; or (d) from engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of any security; or
  - 8.3 Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
  - 8.4 Any person judicially declared to be insolvent;
  - 8.5 Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, the rules of the Philippine Stock Exchange (the "Exchange"), or any other laws administered by the SEC or *Bangko Sentral ng Pilipinas*, or any rule, regulation or order of the SEC or *Bangko Sentral ng Pilipinas*;
  - 8.6 Has been restrained to engage in activity involving securities and banking; and
  - 8.7 Has been convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.






9. Any of the following shall be a ground for the temporary disqualification of a director:
- a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This qualification shall be in effect as long as his refusal persists;
  - b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
  - c. 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;
  - d. Being under preventive suspension by the Corporation;
  - e. If the independent director becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director; and
  - f. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
10. Should the Board have non-executive directors, such non-executive directors must possess qualifications and stature that enable them to participate in the deliberations of the Board. Considering that there are sufficient controls to ensure that non-executive directors fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy/ies of the Corporation, there is no need to limit the number of directorships that a non-executive director may accept in other publicly listed companies. The non-executive directors should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Corporation. The meetings should be chaired by the lead independent director.

### **2.2C Chair and President**

The Board of Directors should be headed by a competent and qualified Chairperson ("Chair"). The positions of Chair and President should be held by separate individuals and each should have clearly defined responsibilities. The roles of Chair and President should be separate to foster an appropriate balance of power, increase in accountability and better capacity for independent decision-making by the Board. A clear delineation of functions must be made between the Chair and President upon their election. Should the positions of Chair and President be unified and held by the same person, proper check and balances must be laid down to ensure that the Board gets the benefit of independent reviews and



perspectives, such as by designating a lead director among the independent directors


### **2.2.C.1 Roles and Responsibilities of Chair**

The roles and responsibilities of the Chairman include, among others, the following:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

### **2.2.C.2 Roles and Responsibilities of President**

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

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

### **2.2.C.3 Functions of the Lead Director**

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

- a. Serves as an intermediary between the Chair and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chair, as required.

### **2.2D Board Meetings and Quorum Requirement**

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 SEC, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings.

### **2.2E Remuneration of Directors and Officers**

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

No director is allowed to participate in discussions or deliberations involving his remuneration.

### **2.2F Board Assessment**

The Board should conduct an annual self-assessment of its performance, including the performance of the Chair, individual members and committees. Every three (3) years, the assessment should be supported by an external facilitator. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization.

The Board should 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.

### **2.2G Training of Directors**

The Corporation shall ensure that the new directors are properly oriented and that all directors are continuously informed of the development in the business and regulatory environment, including emerging risks relevant to the Corporation.

### **2.3 The Corporate Secretary**

The Corporate Secretary is an officer of the Corporation and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

**2.3A** The Corporate Secretary shall be a Filipino citizen. He/she shall not be the compliance officer, but may be a member of the Board of Directors depending on his/her qualifications and provided that he/she can effectively discharge the duties and responsibilities of a corporate secretary set forth below. The Corporate Secretary should, as much as possible, annually attend a training on corporate governance. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

### **2.3B Duties and Responsibilities**

1. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
2. As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
3. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
4. Attend all Board meetings and maintain record of the same;
5. Submit to the SEC, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings;
6. Be loyal to the mission, vision and objectives of the Corporation;
7. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
8. Have appropriate administrative and interpersonal skills;

9. If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
10. Have knowledge of the operations of the Corporation;
11. Informs the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
12. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
13. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

#### **2.4 External Auditor**

An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall be **recommended by the Audit Committee, and** selected and appointed by the stockholders as recommended by the Board.

- 2.4A** The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statements disclosure or auditing scope or procedure.
- 2.4B** The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 2.4C** The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.
- 2.4D** If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

#### **2.5 Independent Directors**

The Board should have at least two (2) independent directors, or such number as to constitute at least twenty percent (20%) of the Board, whichever is higher. The Board should ensure that its independent directors possess the necessary

qualifications and none of the disqualifications for an independent director **under all pertinent laws and applicable regulations**, to hold the position.

The Board's independent directors should serve for a maximum cumulative term of nine (9) years to be reckoned from the year 2012. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation wants to retain an independent director who has served for nine (9) years, as a non-independent director, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

## 2.6 Other Officers

Considering the Corporation's current size, risk profile, and complexity of operations, it is not necessary for the Board to appoint a Chief Audit Executive or Chief Risk Officer or to establish a separate risk management function. However, such officers may be appointed or such function may be established in the future should the need arise.

## 3. POLICY ON INTERNAL AUDIT REQUIREMENTS

Due to the peculiarities of an Investment Company set-up where all of the daily business transactions are undertaken by the Corporation's Fund Manager, the Fund does not intend to employ its own independent auditor. Nonetheless, in confirming the appointment/retention of the Corporation's Fund Manager, the Board, shall make it a condition precedent that the said Corporation's Fund Manager has a reliable and strong internal corporate audit control system, and which is accordingly in place.

The Corporation shall adopt and implement an 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.

## 4. BOARD COMMITTEES

### 4.1A Audit Committee

The Audit Committee shall consist of at least three (3) qualified non-executive directors, who shall preferably have accounting, auditing, and finance backgrounds. **Majority of the Audit Committee members shall be independent directors.** However, if the Board determines that an executive director can effectively discharge the duties of a member of the Audit Committee, such executive director may be part of the Audit Committee. The chair of the Audit Committee should be an independent director. He could not be the

chairman of the Board or of any other committees. The Audit Committee shall have the following functions:

- (a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- (b) Perform oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include the regular receipt from Management of information on risk exposures and risk management activities;
- (c) Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (d) Review of the annual audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- (e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- (g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- (h) Review the reports submitted by the internal and external auditors;
- (i) Review the quarterly, half-year 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
  - Major judgment areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards



- Compliance with tax, legal and regulatory requirements
- (j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (k) Evaluate and determine non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with external auditor's duties and poses a threat to his independence. Non-audit works, if allowed, should be disclosed in the Corporation's annual report;
- (l) Establish and identify reporting line of the Internal Auditor to enable him to fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties; and
- (m) Implement 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.

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

#### **4.1B Accountability and Audit**

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensive assessment of the Corporation's performance, position and prospects on a regular or quarterly basis, including interim and other reports that could adversely affect its business, its well as reports to regulators that are required by law.

It is essential that management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to its stockholders. Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:





- (a) The extent of responsibility in the preparation of the financial statements, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (b) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders should be maintained;
- (c) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of control that cover the Corporation's governance, operations and information systems, including reliability and integrity and financial and operational information effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations; and
- (d) The Corporation should consistently comply with the financial reporting requirements of the SEC.

The Board after consultation with the Audit Committee, shall recommend to the stockholders the external auditor duly accredited by the SEC 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 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

#### 4.2 **Nomination Committee**

The Board shall create a Nomination Committee which shall have at least three (3) members and one of whom must be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with the following qualifications and disqualifications:

Qualifications:

In addition to the qualifications for membership in the Board provided for in Corporation Code, Securities Regulation Code, other relevant laws and clause 2.2B above, 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 organizations; and
- (iv) Previous business experience.

Disqualifications:

## 1. Permanent Disqualification

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

- (i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, 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 shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other laws administered by the SEC or *Bangko Sentral ng Pilipinas*, or under any rule or regulation issued by the SEC or *Bangko Sentral ng Pilipinas*, 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 SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or *Bangko Sentral ng Pilipinas*, or any of its rule, regulation or order;
- (v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- (vi) Any person judicially declared as insolvent;
- (vii) 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 in sub-paragraphs (i) to (v) above; and
- (viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

## 2. Temporary Disqualification

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



- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- (iii) Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- (iv) If the beneficial equity ownership of an independent director in the Corporation exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with; and
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

#### **4.3 Governance Committee**

The Board may establish a Corporate Governance Committee that will be tasked to assist the Board in the performance of its corporate governance responsibilities.

#### **4.4 Other Committees**

Considering the Corporation's current size, risk profile, and complexity of operations, it is not necessary for the Board to create a Board Risk Oversight Committee or a Related Party Transactions Committee. However, such committees may be established in the future should the need arise.

#### 4.5. **Committee Charters**

All established committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees. The Charters will be fully disclosed on the Corporation's website.

#### 4.6 **Corporation's Website**

**This Manual on Corporate Governance, the Annual Corporate Governance Report, the Board Charter, Committee Charters, and the Corporation's Code of Business Conduct and Ethics, as well as all relevant programs and procedures, shall all be disclosed in the Corporation's Website.**

### 5. **REPORTORIAL OR DISCLOSURE SYSTEM OF FUND'S CORPORATE GOVERNANCE POLICIES**

- 5.1 The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or officer through the Corporation's Compliance Officer;
- 5.2 All material information, *i.e.*, anything that could potentially affect share price, which could adversely affect the viability or the interest of the Corporation's stockholders and other stakeholders shall be publicly and timely disclosed. Such information shall include, among others, earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership;
- 5.3 Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions, if any;
- 5.4 All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report. 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;
- 5.5 The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its stockholders and other stakeholders;



- 5.6 Management should provide members of the Board with complete, adequate and timely information about the matters to be taken in their meeting;
- 5.7 Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by members of the Board to enable them to properly perform their duties and responsibilities. Hence, members should be given independent access to Management and the Corporate Secretary;
- 5.8 Members, either individually or as Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense;
- 5.9 The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets. It is therefore essential that all material information about the Corporation which could adversely affect its viability of interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should 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. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the SEC;
- 5.10 All directors and officers are required to disclose and report to the Corporation any dealings in the Corporation's shares within three (3) business days; and
- 5.11 The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment

## 6. SHAREHOLDERS' BENEFIT

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.



The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The Board should encourage personal attendance or active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) days before the meeting in accordance with the Corporation's By-Laws. 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 the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in stockholder's favor.

Result of the votes taken during the most recent annual or special shareholders' meeting shall be made available the next working day. As much as possible, the minutes of the annual and shareholders' meeting should be available on the company website within five (5) business days from the end of the meeting.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

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:

#### **6.1 Voting Right**

- 6.1A** Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- 6.1B** Cumulative voting shall be used in the election of directors.
- 6.1C** A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### **6.2 Pre-emptive Right**

All stockholders shall have no pre-emptive rights pursuant to the Corporation's Articles of Incorporation and By-Laws.

#### **6.3 Power of Inspection**

All shareholders shall be allowed to inspect books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code



and shall be furnished with annual reports, including financial statements, without cost of restrictions.

#### 6.4 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".

#### 6.5 Appraisal Right

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under **Chapter X** of the **Revised** Corporation Code of the Philippines **and all further applicable rules on appraisal right that the SEC may issue**, under any of the following circumstances:

1. In case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. 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;
3. In case of merger or consolidation; and
4. **In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.**



#### **6.6. Investor Relations Office**

Considering the Corporation's current size, risk profile, and complexity of operations, it is not necessary for the Board to establish an Investor Relations Office ("IRO"). However, such office may be established in the future should the need arise.

### **7. MONITORING AND ASSESSMENT**

- 7.1 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 this Manual.
- 7.2 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.
- 7.3 This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

### **8. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

1. In case of first violation, the subject personal shall be reprimanded.
  2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
  3. For third violation, the maximum penalty of removal from office shall be imposed.
- 8.1 The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.



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

**THIS MANUAL SHALL BE AVAILABLE FOR INSPECTION BY ANY STOCKHOLDER OF THE CORPORATION AT REASONABLE HOURS ON BUSINESS DAYS.**

Approved on June 22, 2020 in *Taguig* City.

  
DR. BERNARDO M. VILLEGAS  
Chairman

FRANK S. GAISANO  
Director

JOHN G. TAN  
Director

  
MARGARET G. ANG  
President

  
EDWARD S. GO  
Director

  
ALJIM C. JAMANDRE  
Director

  
VINCENT E. TOMANENG  
Director

[vet/agreement/ffl/1<sup>st</sup> amended manual final]

  
JONNA C. LLAGUNO  
Compliance Officer