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**SAN MIGUEL**  
FOOD AND BEVERAGE, INC.

## San Miguel Food and Beverage, Inc. FB

### PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements

<b>Form/Report Type</b>	SMFB Amended Manual on Corporate Governance
<b>Report Period/Report Date</b>	Nov 8, 2019

#### Description of the Disclosure

Please see attached Amended Manual on Corporate Governance of the Company filed with the SEC on November 8, 2019, which was approved by the Board of Directors on November 6, 2019.

#### Filed on behalf by:

<b>Name</b>	Alexandra Trillana
<b>Designation</b>	Corporate Secretary and Compliance Officer



111082019001599



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
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Company Information

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Industry Classification Mfg. Of Food Products & Beverages

Company Type Stock Corporation

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B E V E R A G E , I N C .

(Company's Full Name)

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M E T R O M A N I L A

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

ALEXANDRA B. TRILLANA

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Company Telephone Number

AMENDED MANUAL ON CORPORATE GOVERNANCE

Month

Day

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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November 7, 2019

**Securities and Exchange Commission**

SEC Main Office  
 Secretariat Building, PICC Complex  
 Roxas Boulevard, Metro Manila

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**  
 Corporate Governance and Finance Department

Re: Manual on Corporate Governance

Ladies and Gentlemen:

As reported in the SEC Form 17-C dated November 6, 2019, the Board of Directors of San Miguel Food and Beverage Inc. (the “Company”) approved certain amendments to the Manual on Corporate Governance of the Company.

For the appreciation of the Commission, the following were the notable amendments made to the Manual:

Section Reference	Amended Provision (amendments underscored)
Title	<b><u>San Miguel Food and Beverage, Inc.</u></b> <b>MANUAL ON CORPORATE GOVERNANCE</b>
Opening paragraph	The Board of Directors, management, officers and employees of <b><u>San Miguel Food and Beverage, Inc., formerly San Miguel Pure Foods Company Inc.</u></b> (the “Corporation”), hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (the “CG Manual”), and acknowledge that the same shall guide the attainment of their corporate goals.
Section 2.2.6	Section 2.2.6. <b><u>Internal Audit</u></b>
Section 2.2.6.1	2.2.6.1. <u>In view of the magnitude of its operations, the Corporation shall have in place an independent internal audit function carried out by three separate and independent Internal Audit Groups – one for the Corporation and its Food Division (comprised of the Corporation’s food subsidiaries),</u>


	<p>one for the Corporation's Beer Division (comprised of the Corporation's beer subsidiaries), and another for the Corporation's Spirits Division (comprised of the Corporation's spirits subsidiaries), which function provides an independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations. <u>Each Internal Audit Group shall be headed by a qualified Chief Audit Executive, who in the case of the Corporation and its Food Division is the Internal Audit Group Head, appointed by the Board of Directors. The Internal Audit Groups shall provide the Board, management, shareholders and other stakeholders of the organization to which it is assigned, with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Audit Groups shall be guided by the International Standards on Professional Practice of Internal Accounting.</u></p>
Section 2.2.6.2	<p>2.2.6.2. <u>Each Internal Audit Group shall have the following functions, among others, with respect to the organization to which it is assigned:</u></p>
Section 2.2.6.3	<p>2.2.6.3. <u>Each Internal Audit Group Head shall oversee and be responsible for the internal audit activity of the relevant organization to which he is assigned, including that portion that is outsourced to one or more third party service providers. The Internal Audit Group Heads of each of (i) the Corporation and its Food Division, (ii) the Beer Division and (iii) the Spirits Division, in order to achieve the necessary independence to fulfill their responsibilities, directly reports functionally to the Audit Committees of (i) the Corporation, (ii) San Miguel Brewery Inc. and (iii) Ginebra San Miguel Inc., respectively, and administratively to the Chief Operating Officers of the Food, Beer and Spirits Divisions, as the case may be. Each Internal Audit Group Head shall have the following responsibilities, among others, with respect to the organization to which he is assigned.</u></p>
Section 2.2.6.4	<p>2.2.6.4. <u>Each of the three Internal Audit Groups shall functionally report directly to the Audit Committees of the Corporation, San Miguel Brewery Inc. and Ginebra San Miguel Inc., as the case may be.</u></p>
Section 2.2.6.6	<p>2.2.6.6. <u>The Internal Audit Group of the Corporation shall submit to the Audit Committee and management a consolidated annual report on the Food, Beer and Spirits Divisions' internal audit activities, responsibilities and performance, relative to the audit plans and strategies approved by the Audit Committees of the Corporation, San Miguel Brewery Inc. and Ginebra San Miguel Inc. The annual report should include significant risk</u></p>

	exposures, control issues, and such other matters as may be needed or requested by the Board of Directors and management. <u>Each</u> Internal Audit Group should certify that it conducts its activities in accordance with the International Standards on the Professional Practice of Internal Auditing; otherwise, it shall disclose to the <u>relevant</u> Board and management the reasons for its non-compliance.
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Attached herewith is the Manual, as amended, fully signed by the Chairman, President and Chief Executive Officer, and Compliance Officer of the Company.

The amended Manual will also be posted in the website of the Company at the link: <http://www.smfb.com.ph/disclosures/1/manual-on-corporate-governance>.

Very truly yours,



**Alexandra Bengson Trillana**  
Corporate Secretary and Compliance Officer

**San Miguel Food and Beverage, Inc.**  
**MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors, management, officers and employees of **San Miguel Food and Beverage, Inc., formerly San Miguel Pure Foods Company Inc.** (the “Corporation”), hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (the “CG Manual”), and acknowledge that the same shall guide the attainment of their corporate goals.

**1 OBJECTIVE**

This CG Manual contains and hereby institutionalizes the principles, policies, programs and procedures of good corporate governance in the entire organization. Corporate governance is understood by the Corporation to mean the framework of rules, systems and processes in the company that governs the performance of the Board of Directors and management of their respective duties and responsibilities to the Corporation’s stockholders, as well as stakeholders who can either affect and/or be affected by the Corporation’s strategies, policies, business decisions and operations in general, which include, among others, its customers, employees, suppliers, creditors, investors, government and the community in which it operates.

The Corporation also understands that corporate governance is the system of stewardship and control to guide the organization in fulfilling its long-term economic, moral, legal and social obligations towards its stakeholders. Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society. Its purpose is to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

The Board of Directors, management, officers, employees and shareholders of the Corporation believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness thereof within the organization as soon as possible.

**2 COMPLIANCE SYSTEM**

**2.1. Compliance Officer**

2.1.1. To insure adherence to corporate principles and best practices, the Board of Directors shall appoint a Compliance Officer who should have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer should not be a member of the Board. He shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. The Compliance Officer is primarily liable to the Corporation and its shareholders, and not to the Chairman or Chief Executive Officer of the Corporation. He has, among others, the following duties and responsibilities:

- a. Monitor, review, evaluate and ensure compliance by the Corporation and its Board of Directors and officers with the provisions and requirements of this CG Manual, the Corporation's By-laws, the relevant laws, the Code of Corporate Governance for Publicly-Listed Companies (the "Code"), and the rules, regulations and governance issuances of the regulatory agencies;
- b. Appear before the Securities and Exchange Commission (SEC) upon summons in relation to compliance with the Code;
- c. Determine violations of the CG Manual, report the matter to the Board of Directors if violations are found, and recommend the imposition of penalty or other appropriate disciplinary action for approval of the Board;
- d. Attest on the extent of the Corporation's compliance with this CG Manual and the Code, explaining the reason/s of the Corporation's deviation from the same, in each case where necessary or required by applicable laws, rules and regulations;
- e. Ensure the integrity and accuracy of the Corporation's documentary submissions to regulators;
- f. Identify, monitor and control compliance risks and issues and work towards the resolution of the same;
- g. Collaborate with other departments to properly address compliance risks and issues, which may be subject to investigation;
- h. Ensure proper onboarding of new members of the Board of Directors (i.e., orientation on the Corporation's business, Articles of Incorporation and By-Laws, among others);
- i. Ensure the attendance of the members of the Board of Directors and key officers to relevant annual continuing trainings;
- j. Keep abreast of the developments and best practices in the field of corporate governance and in this connection, annually attend a training on corporate governance; and
- k. Perform such other duties and responsibilities as may be provided by the SEC.

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



## **2.2. Plan of Compliance**

### **2.2.1. Board of Directors**

Compliance with the principles of good corporate governance shall start with a competent, working Board of Directors to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

The Corporation shall clearly make known to all directors, as well as to shareholders and other stakeholders, the fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Corporation's Articles of Incorporation and By-laws, and other legal pronouncements and guidelines.

The members of the Board of Directors should not be less than five (5), but not more than fifteen (15), and shall be elected in accordance with the Corporation's By-laws, this CG Manual, and applicable laws and regulations.

The Board of Directors shall be composed of executive<sup>1</sup> and non-executive<sup>2</sup> directors (which shall include Independent Directors) and shall have a collective working knowledge, experience or expertise that is relevant to the industry or sector to which the Corporation belongs. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively to enable it to fulfill its roles and responsibilities, and respond to the needs of the organization based on the evolving business environment and strategic direction.

The non-executive directors, who shall comprise the majority of the Board of Directors, shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board, help secure objective, independent judgment on corporate affairs and substantiate proper checks and balances.

#### **2.2.1.1. General Responsibilities**

The members of the Board of Directors shall 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.

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<sup>1</sup> An executive director is one who has executive responsibility of day-to-day operations of a part or the whole of the organization.

<sup>2</sup> A non-executive director is one who has no executive responsibility and does not perform any work related to the operations of the company.

The Board of Directors is responsible for formulating the Corporation's vision, mission, policies and procedures that shall guide its activities, including the means to effectively monitor management's performance.

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

The Board of Directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

To show full commitment to the Corporation, a director shall devote the time and attention necessary to properly and effectively perform his duties and responsibilities, including sufficient time to be familiar with the Corporation's business.

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

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

#### **2.2.1.2. Specific Duties and Functions**

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

- a. Implement a process of selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- b. Appoint competent, professional, honest and highly-motivated management officers and adopt an effective succession planning program for key officers and management to ensure growth and a continued increase in the shareholders' value. The succession planning program should include adopting a policy on the retirement age for officers as part of management succession and to promote dynamism in the Corporation;
- c. Align the remuneration of key officers and Board members with the long-term interests of the Corporation. In doing so, the Board of Directors shall formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no

director will participate in discussions or deliberations involving his own remuneration;

- d. Provide sound strategic policies and guidelines on major capital expenditures and other programs to sustain the Corporation's long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies;
- e. Ensure that the Corporation complies with all relevant laws, regulations and best business practices;
- f. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate corporate disclosure policies and procedures to ensure comprehensive, accurate, reliable, timely and effective communication and maintaining relations with the Corporation's shareholders and other stakeholders, as well as agencies regulating the Corporation, in a manner that gives a fair and complete picture of the Corporation's financial condition, results and business operations;
- g. Establish and maintain an effective investor relations program that will keep the Corporation's shareholders and stakeholders informed of important developments in the Corporation. If feasible, the Corporation's Chief Finance Officer shall exercise oversight responsibility over this program;
- h. Adopt a system of internal checks and balances, and to review regularly the effectiveness thereof;
- i. Adopt a Code of Business Conduct and Ethics, which will 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 of Directors, senior management and employees. It shall also be disclosed and made available to the public through the Corporation's website;
- j. Ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics, as well as internal policies;
- k. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- l. Provide stockholders and other stakeholders with access to a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a quarterly basis, including

interim and other reports on matters that could adversely affect its business, as well as reports to regulators that are required by law;

- m. Properly discharge Board functions by meeting regularly or at such times and frequency as may be needed. Independent views during Board meetings shall be given due consideration. All such meetings shall be duly minuted;
- n. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party<sup>3</sup> transactions (“RPTs”)<sup>4</sup> between and among the Corporation and a related party (i.e., its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board), and other unusual or infrequently occurring transactions, particularly those that pass certain thresholds of materiality, which policies and procedures should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions, encompassing all entities within the group and taking into account their size, structure, risk profile and complexity of operations;
- o. Keep Board authority within the powers of the institution as prescribed in the Corporation’s Articles of Incorporation, By-laws and in existing laws, rules and regulations;
- p. Encourage use of alternative modes of dispute resolution that can amicably settle conflicts or differences between the Corporation and its shareholders or third parties, including regulatory agencies;
- q. Constitute an Audit Committee and such other committees it deems necessary to assist the Board of Directors in the performance of its duties and responsibilities; and
- r. Appoint a Compliance Officer as provided in this CG Manual. In the absence of an appointment by the Board of Directors, the

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<sup>3</sup> A related party includes the company’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the company exerts direct or indirect control over or that exerts direct or indirect control over the company, the company’s directors, officers, shareholders and related interests, and their close family members, as well as corresponding persons in affiliated companies. A related party also includes such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

<sup>4</sup> Related party transactions involve a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. RPTs should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

### **2.2.1.3. Internal Control System and Risk Management Framework**

To ensure the integrity, transparency and proper governance in the conduct of its business and affairs, the Corporation shall have a strong, adequate and effective internal control system and enterprise risk management framework, taking into account its size, risk profile and complexity of operations.

#### **2.2.1.3.1. Internal Control System**

Internal control is understood by the Corporation to mean a process designed and effected by the Board of Directors, senior management and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations, reliable, complete and timely financial and management information, and compliance with applicable laws, regulations and the organization's policies and procedures.

The Board of Directors shall have the following oversight responsibilities for ensuring the presence of appropriate, adequate and effective internal control mechanisms:

- a. Establish organizational and operational controls commensurate with, among others, (i) the nature and complexity of the business of the Corporation and its culture, volume, size and complexity of transactions; (ii) degree of risks involved, degree of centralization and delegation of authority; (iii) extent and effectiveness of information technology; and (iv) extent of regulatory compliance;
- b. Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts;
- c. Select and appoint a Chief Executive Officer who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Corporate Governance Committee, the duties and responsibilities of the Chief Executive Officer who is ultimately responsible

for the Corporation's organizational and operational controls;

- d. Evaluate proposed senior management appointments;
- e. Select and appoint qualified and competent management officers;
- f. Review the Corporation's human resources policies, conflict of interest situations, compensation program for employees, and management succession plan;
- g. Establish a mechanism for monitoring and managing potential conflicts of interest of management, Board members, and shareholders;
- h. Approve the Internal Audit Group Charter of the Corporation;
- i. Establish an effective performance management framework that will ensure that management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board of Directors and senior management;
- j. Assess the performance of management led by the Chief Executive Officer, and control functions led by their respective heads (Chief Finance Officer, Compliance Officer, Internal Audit Group Head);
- k. Where not covered in this CG Manual, approve a Board Charter that formalizes and clearly states the roles, responsibilities and accountabilities of the Board of Directors in carrying out its fiduciary duties. This CG Manual or Board Charter, as the case may be, should serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Corporation's website.

#### 2.2.1.3.2. Enterprise Risk Management

Enterprise Risk Management (ERM) is understood by the Corporation to be a process effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise, which is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

The Board of Directors shall oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the Board in identifying units or business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Corporation shall consider establishing a separate ERM function to identify, assess and monitor key risk exposures, corresponding to the Corporation's size, risk profile and complexity of operations.

2.2.1.3.2.1. The risk management function involves the following activities, among others:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risk exposures relating to economic, environmental, social and governance factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy;
- f. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plans to the Board Risk Oversight Committee; and
- g. Monitoring and evaluating the effectiveness of the organization's risk management processes.

2.2.1.3.2.2. In managing the Corporation's risk management system, the Corporation shall consider having a Chief Risk Officer (CRO), who will be the ultimate champion of ERM and have adequate authority, stature, resources and support to fulfill his responsibilities. The CRO shall have the following functions, among others:

- a. Supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicate the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c. Collaborate with the Chief Executive Officer in updating and making recommendations to the Board Risk Oversight Committee;
- d. Suggest ERM policies and related guidance, as may be needed; and
- e. Provide insights on the following:
  - (i) Whether risk management processes are performing as intended;
  - (ii) Whether risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - (iii) Whether established risk policies and procedures are being complied with.

#### **2.2.1.4. Duties and Responsibilities of a Director**

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation. A director with a material interest in any transaction affecting the Corporation shall abstain from taking part in the deliberations for the same;
- b. To devote time and attention necessary to properly and effectively discharge his duties and responsibilities;
- c. To act judiciously;
- d. To exercise objective and independent judgment on all corporate affairs;
- 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 rules and regulations



of the SEC, and where applicable, the requirements of other regulatory agencies, and keep abreast of industry developments and business trends;

- f. To observe confidentiality of all non-public information which he may acquire or learn by reason of his position as a director;
- g. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
- h. To attend, in the same manner as all key officers of the Corporation, a seminar or program on corporate governance at least once a year, which seminar or program shall be conducted by a training provider duly accredited by the SEC.

#### **2.2.1.5. Qualification and Disqualification of Directors**

In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors should be diverse as to gender, age, ethnicity, culture, skills, competencies and knowledge to ensure that optimal decision-making is achieved. Each director shall further have the following qualifications:

##### 2.2.1.5.1. Qualifications

- a. He shall hold at least one (1) share of voting stock of the Corporation;
- b. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- c. He shall be at least twenty one (21) years of age;
- d. He shall have been proven to possess integrity and probity; and
- e. He shall be assiduous.

##### 2.2.1.5.2. Disqualifications

2.2.1.5.2.1. Any of the following shall be a ground for permanent disqualification of a director of the Corporation:

- a. 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 Regulation 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; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, *Bangko Sentral ng Pilipinas* (BSP), or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; or (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in both the foregoing, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if (x) such person is currently the subject of an order of the SEC, the BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or the BSP, or under any rule or regulation issued by the SEC or the BSP; (y) such person has otherwise been restrained from engaging in any activity involving securities and banking; or (z) 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;

- c. Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;
- d. Any person who has been adjudged by final judgment or order of the SEC, the BSP, a competent 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, or any other law administered by the SEC or the BSP, or any rule, regulation or order of the SEC or the BSP;

- e. 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 listed in the foregoing paragraphs;
- f. Any person judicially declared to be insolvent;
- g. Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- h. Other grounds as the SEC may provide.

2.2.1.5.2.2. 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 or comply with disclosure requirements under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- b. Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during 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;
- c. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities or holder of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- d. If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- e. If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and

- f. If any person earlier elected as Independent Director of the Corporation becomes an officer, employee or consultant of the Corporation.

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, except in the case of temporary disqualification where the Independent Director becomes an officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of three (3) years from the termination of his officership, employment or consultancy with the Corporation.

#### **2.2.1.6. Independent Directors**

An Independent Director is a person who is independent of management and the controlling shareholder. Apart from his fees and shareholdings in the Corporation, an Independent Director has no business or relationship with the Corporation, which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director.

The Board shall ensure that its Independent Directors possess the necessary qualifications and none of the disqualifications for an Independent Director to hold the position at the time of his election and/or re-election as an Independent Director. Each nominee for Independent Director shall submit a certification to this effect, in such form and substance as may be required by the SEC, before his election.

2.2.1.6.1. The Corporation shall have at least three (3) Independent Directors or such number of Independent Directors that constitutes at least one-third of the members of the Board, whichever is higher.

2.2.1.6.2. Independent Directors shall possess a good general understanding of the industry they are in, as well as the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board. Accordingly, the Corporation shall have an Independent Director who:

- a. Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;

- b. Is not, and has not been in the three (3) years immediately preceding the election, (i) a director of the Corporation; (ii) a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or (iii) a director, officer, employee of the Corporation's substantial shareholders and its related companies;
- c. Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" director/officer or member of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer or substantial shareholder of the 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;
- f. Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuer of securities. A "securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to any stock exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the 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 three (3) years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any

transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arms length and could not materially interfere with or influence the exercise of his independent judgment;

- j. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Related companies, as used in this section, refer to (i) the Corporation's holding or parent company; (ii) its subsidiaries; and (iii) subsidiaries of its holding or parent company.

#### **2.2.1.7. Nomination and Election of Directors**

##### **2.2.1.7.1. Nomination of Directors**

Any shareholder, including minority shareholders, shall have the right to nominate candidates to the Board.

The Board of Directors sets the dates for the following year's Board and Board committee meetings, as well as the Annual Stockholders' Meeting (ASM) of the Corporation, during the last regular Board meeting of the year. Stockholders who wish to propose the inclusion of additional items to the usual Agenda of the ASM and/or nominate candidates to the Board of Directors, may submit their proposals not later than 60 days from disclosure of the date of the ASM or the last day of January of the following year, whichever is later, to the office of the Corporate Secretary of the Corporation, for the consideration of the Chairman or Corporate Governance Committee, as the case may be.

The list of names of the nominees to the Board of Directors shall be filed and submitted to the Corporate Governance Committee through the office of the Corporate Secretary at least 60 days prior to the date set for the ASM wherein they will be elected. The Corporate Governance Committee shall shortlist the nominees to those qualified and aligned with the strategic direction of the Corporation.

##### **2.2.1.7.2. Required Vote**

For the election of directors, it is necessary for a majority of the outstanding shares of stock entitled to vote, to be present or represented

in the ASM. The directors shall then be elected by a plurality vote of the stockholders entitled to vote at the ASM.

#### 2.2.1.7.3. Term of Office

Directors shall hold office for a term of one (1) year, more or less, and until the election and qualification of their successors in accordance with the By-laws and this CG Manual.

#### 2.2.1.7.4. Term Limits for Independent Directors

Independent Directors can serve for a maximum cumulative term of nine (9) years. After serving as Independent Director for nine (9) years, he will be permanently barred from being elected as Independent Director of the Corporation.

#### 2.2.1.7.5. Re-election of Independent Directors

An Independent Director may be re-elected as such for nine (9) years in total. Thereafter, he may continue to qualify for nomination and election as a non-independent director of the Corporation. In the instance that the Corporation wants to retain as Independent Director one who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the ASM.

#### 2.2.1.7.6. Filling of Vacancies

Any vacancy in the Board of Directors caused by death, resignation, inability or disqualification to act, or otherwise, shall be filled by the unanimous vote of the remaining members of the Board, if constituting a quorum, by the election of a qualified person screened by the Corporate Governance Committee, who shall hold office for the remainder of the term of which such vacancy applies, or until his successor shall have been elected and qualified.

#### **2.2.1.8. Board Meetings and Quorum Requirements**

The directors shall attend and actively participate in all meetings of the Board, committees, and shareholders in person or through teleconferencing or videoconferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and committee meetings, the director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

Independent Directors should always attend Board meetings. Absence of Independent Directors in Board meetings shall not affect the quorum

requirement, unless otherwise provided in the By-laws of the Corporation and applicable laws, rules and regulations. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

The non-executive directors shall have separate periodic meetings with the external auditor and heads of the Corporation's internal audit group, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Corporation. The meetings shall be chaired by the lead Independent Director.

A report, advice or certification on the directors' attendance in Board meetings shall be submitted by the Corporation to the SEC within the period prescribed under applicable laws, rules or regulations.

#### **2.2.1.9. Adequate and Timely Information**

Management shall provide the Board of Directors with complete, adequate and timely information about the matters to be taken during its meetings and information that would enable the Board to comply with its responsibilities to the stockholders and other stakeholders of the Corporation.

Upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable.

The members of the Board shall be given independent access to management and the Corporate Secretary.

#### **2.2.1.10. Policy on Multiple Board Seats**

A director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised.

The non-executive directors of the Board shall concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge management's proposals and views, and oversee the long-term strategy of the Corporation.

A director shall notify the Board where he is an incumbent director before accepting a directorship in another company.



## **2.2.2. Board Committees**

The Board of Directors shall establish committees that focus on specific Board functions, particularly with respect to audit, risk management, RPTs, and other key corporate governance concerns, such as nomination and remuneration, to support the effective performance of the Board's functions and to aid in the optimal performance of its roles and responsibilities. Each committee shall report regularly to the Board of Directors.

The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter. Each Committee Charter shall state the purposes, memberships, structures, operations, reporting processes, resources and other relevant information, and should provide the standards for evaluating the performance of the committee. The Charters shall be fully disclosed on the Corporation's website.

### **2.2.2.1. Corporate Governance Committee**

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

2.2.2.1.1. The Corporate Governance Committee shall have at least three (3) Independent Directors as members. The Chairman of the Committee shall be an Independent Director.

#### **2.2.2.1.2. General Duties and Responsibilities**

The Corporate Governance Committee shall ensure compliance with and proper observance of corporate governance principles and practices. It shall have the following duties and functions, among others:

- a. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board of Directors and its committees as well as executive management, and conduct an annual self-evaluation of its performance;
- c. Ensure that the results of the Board evaluation are shared and discussed, and that concrete action plans are

developed and implemented to address the identified areas for improvement;

- d. Recommend continuing education or training programs for directors, assignment of tasks and 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. Determine the nomination and election process for the Corporation's directors and exercise the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Corporation's culture and strategy, as well as the business environment in which it operates.

2.2.2.1.3. In addition to the foregoing general duties and responsibilities, the Corporate Governance Committee shall be tasked with the pre-screening and shortlisting of all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications as provided in this CG Manual, including without limitation the following:

- a. In consultation with the appropriate executive or management committee/s and with the supervision of the Board of Directors, it shall re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- b. It shall consider the following guidelines in the determination of the number of directorships which a member of the Board may hold in accordance with the

policy on holding multiple board seats under this CG Manual:

- (i) The nature of the business of the companies of which he is a director;
- (ii) Age of the director;
- (iii) Number of directorships/ active memberships and officerships in other companies or organizations; and
- (iv) Possible conflict of interest.

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

- c. In accordance with the guidelines set by the Corporate Governance Committee on the number of directorships which a member of the Board may hold pursuant to the policy on multiple board seats under this CG Manual, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. Without prejudice to the said policy on multiple board seats, the same low limit shall apply to independent, non-executive directors who serve as full-time executives in other companies. In any case, the capacity of directors to serve with diligence shall not be compromised.

2.2.2.1.4. The Corporate Governance Committee shall also be tasked with the following duties and responsibilities related to executive compensation:

- 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 the 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. 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;

- d. Disallow any director to decide his or her own remuneration;
- e. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and senior executive officers for the previous fiscal year and the ensuing year;
- f. Review the existing Company Rules and Regulations involving human resources or personnel 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; and
- g. In the absence of such personnel handbook, cause the development of such, covering the same parameters of governance stated above.

#### **2.2.2.2. Audit Committee**

The Board of Directors shall establish an Audit Committee to enhance its oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

2.2.2.2.1. The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom shall be Independent Directors. The Chairman shall be an Independent Director. All the members must have relevant background, knowledge, skills or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the Chairman of the Board or of any other committee.

##### **2.2.2.2.2. Duties and Responsibilities**

The Audit Committee has the responsibility of overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It should ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws,

regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. In this connection, the Committee shall:

- a. Enhance the oversight capability of the Board of Directors over the Corporation's financial reports and financial reporting process, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;
- b. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;
- c. Have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the External Auditor who should be duly accredited by the SEC. The appointment, reappointment, and removal of the External Auditor, including audit fees, shall be recommended by the Audit Committee, approved by the Board of Directors and ratified by the shareholders;
- d. Be responsible for assessing the integrity and independence of the External Auditor and exercising effective oversight to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements, as well as be responsible for reviewing and monitoring the External Auditor's suitability and effectiveness on an annual basis;
- e. Prior to the commencement of the audit, discuss with the External Auditor and review all audit plans, 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. Perform oversight functions with respect to both the External Auditor and the Internal Audit Group of the Corporation, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Corporation necessary to enable them to perform their respective audit functions, as well as review the reports submitted by them;

- g. Evaluate and determine any non-audit work performed by the External Auditor, including the fees therefor in relation to the total fees paid to the External Auditor and to the Corporation's overall consultancy expenses, and 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 and independence. Accordingly, the Committee shall disallow any non-audit work that will conflict with its duties as an External Auditor or may pose a threat to its independence. Any non-audit work allowed shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;
- h. Recommend the approval of the Internal Audit Group Charter of the Corporation, which formally defines the role of the Corporation's Internal Audit Group and its audit plans, as well as oversee the implementation of the Internal Audit Group Charter;
- i. Through the Internal Audit Group, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including the integrity of financial reporting and security of information technology and physical assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be established in order to (i) safeguard the Corporation's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the Corporation's financial data, and (iv) ensure compliance with applicable laws and regulations;
- j. Oversee the Internal Audit Group of the Corporation, and recommend the appointment and grounds for approval of an internal audit head or Chief Audit Executive. The Audit Committee shall also approve the terms and conditions for outsourcing of internal audit services;
- k. Establish and identify the reporting line of the Chief Audit Executive, to enable him to properly fulfill his duties and responsibilities;
- l. Review and monitor management's responsiveness to the Internal Audit Group's findings and recommendations;

- m. Review and approve all interim and annual financial statements before submission to the Board of Directors, with particular focus on the following matters:
  - (i) changes in accounting policies and practices;
  - (ii) areas where a significant amount of judgment has been exercised;
  - (iii) significant adjustments resulting from the audit;
  - (iv) going concern assumptions;
  - (v) compliance with accounting standards; and
  - (vi) compliance with tax, legal and regulatory requirements;
- n. Review the disposition of the recommendations in the External Auditor's management letter;
- o. Ensure that the accounting and auditing processes, practices and methods of the Corporation comply with Philippine and internationally-accepted standards;
- p. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- q. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization; and
- r. Supervise management in management's formulation of rules and procedures on financial reporting and internal controls in accordance with the following and such other guidelines as may be determined by the Board of Directors:
  - (i) The extent of management's responsibility in the preparation of financial statements of the Corporation; the delineation of the responsibilities pertaining to the External Auditor must be clearly set out.
  - (ii) The system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders.
  - (iii) The scope of the internal audit examinations based on approved audit plans should include, at the

minimum, evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts, laws, rules and regulations.

- (iv) There should be consistent compliance with the SEC's financial reporting requirements.

### **2.2.2.3. Board Risk Oversight Committee**

The Board of Directors shall establish a separate Board Risk Oversight Committee (BROC) that will be responsible for the oversight of the Corporation's ERM system to ensure its functionality and effectiveness.

2.2.2.3.1. The BROC shall be composed of at least three (3) members, the majority of whom shall be Independent Directors. The Chairman shall be an Independent Director and should not be the Chairman of the Board or of any other committee. At least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.

#### **2.2.2.3.2. Duties and Responsibilities**

The BROC has the responsibility of assisting the Board of Directors in ensuring that there is an effective and integrated risk management process in place to enable the Board and senior management to be in a confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. The BROC shall have the following duties and responsibilities, among others:

- a. Develop a formal ERM plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) design and implementation of risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures;
- b. Oversee the implementation of the ERM plan through a Management Risk Oversight Committee. The BROC shall conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and shall assess 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, which involves: (i) revisiting defined risk management strategies, (ii) looking for emerging or changing material exposures, and (iii) staying abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advise the Board of Directors 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 when major events occur that are considered to have major impacts on 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. Provide oversight over 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 of Directors on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

#### **2.2.2.4. Related Party Transactions Committee**

The Board of Directors shall establish a Related Party Transactions Committee (the "RPT Committee"), which will be tasked with reviewing all material RPTs of the Corporation.

2.2.2.4.1. The RPT Committee shall be composed of at least three (3) non-executive directors, two of whom shall be independent. The Chairman shall be an Independent Director.

2.2.2.4.2. Duties and Responsibilities

The following are the functions of the RPT Committee, among others:

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board of Directors and regulators or supervisors;
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
  - (i) The related party's relationship to the Corporation and interest in the transaction;
  - (ii) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - (iii) The benefits to the Corporation of the proposed RPT;
  - (iv) The availability of other sources of comparable products or services; and
  - (v) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- c. Ensure that appropriate disclosure is made and information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential 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;

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

### **2.2.3. Chairman, Chief Executive Officer, and Lead Independent Director**

The Board of Directors shall be headed by a competent and qualified Chairman.

The positions of Chairman of the Board and Chief Executive Officer, who is the President in the case of the Corporation, shall be held by separate individuals and each shall have clearly defined responsibilities, to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board of Directors.

To ensure that the Independent Directors shall be free to express and advocate independent views and perspectives, and that abuse of power and authority and potential conflict of interest are avoided, the Board of Directors shall additionally designate a lead director from the Independent Directors, which lead director shall have sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the Chairman, the President and the lead Independent Director are clearly defined.

2.2.3.1. The Chairman shall have, among others, the following roles, responsibilities and functions:

- a. Ensure that the meetings of the Board of Directors are held in accordance with an approved annual schedule and the By-laws of the Corporation, or as the Chairman may deem necessary;
- b. Supervise the preparation of the agenda of Board meetings in coordination with the Corporate Secretary, taking into account the suggestions of the President, management and directors;
- c. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation,

considering developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

- d. Guarantee that the Board of Directors receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- e. Preside at the meetings of the directors and shareholders;
- 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. Ensure that the Board of Directors 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;
- i. Make sure that the performance of the Board of Directors is evaluated at least once a year and discussed and followed up on;
- j. Assist in ensuring compliance with corporate governance guidelines;
- k. Maintain quality and timely lines of communication and flow of information between management and the Board of Directors in coordination with the Corporate Secretary and the President; and
- l. Perform such other responsibilities as the Board of Directors may assign to him.

2.2.3.2. The President shall have, among others, the following roles, responsibilities and functions:

- a. Determine the Corporation's strategic direction and formulate and implement its strategic plan on the direction of the business;
- b. Communicate and implement the Corporation's vision, mission, values and overall strategy, and promote any organization or stakeholder change in relation to the same;
- c. Oversee the operations and business affairs of the Corporation and manage human and financial resources, as well as property of the Corporation, in accordance with the strategic plan;

- d. Ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control;
- e. Oversee the preparation of the budgets and the statements of accounts of the Corporation;
- f. Prepare such statements and reports of the Corporation as may be required of him by law;
- g. Have a good working knowledge of the Corporation's industry and market and keep up-to-date with its core business purpose;
- h. Direct, evaluate and guide the work of the key officers of the Corporation;
- i. Manage the Corporation's resources prudently and ensure a proper balance of the same;
- j. Provide the Board of Directors with timely information and interface between the Board and the employees;
- k. Build the corporate culture and motivate the employees of the Corporation;
- l. Serve as the link between internal operations and external stakeholders; and
- m. Perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

2.2.3.3. The lead Independent Director shall have, among others, the following functions:

- a. Serve as an intermediary between the Chairman and the other directors when necessary;
- b. Convene and chair meetings of the non-executive directors;
- c. Contribute to the performance evaluation of the Chairman, as required; and
- d. Perform such other responsibilities as the Board of Directors may assign to him.

#### **2.2.4. Corporate Secretary**

2.2.4.1. The Board of Directors shall be assisted in its duties by a Corporate Secretary who should not be a member of the Board. 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 Corporation come with his duties.

2.2.4.2. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines. To the extent feasible, considering the organizational set-up and resources of the Corporation, he shall be a separate individual from the Corporation's Compliance Officer.

2.2.4.3. In view of his varied functions and duties, he must possess appropriate administrative and interpersonal skills, and if he is not at the same time the general counsel or chief legal officer, then he must have the legal skills of a general counsel or chief legal officer. He must also have some financial and accounting skills.

#### 2.2.4.4. Duties and Responsibilities

The Corporate Secretary is primarily responsible to the Corporation and its shareholders, and not to the Chairman or President of the Corporation. He shall have, among others, the following duties and responsibilities:

- a. Assist the Board of Directors and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual Board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b. Safe keep and preserve the integrity of the minutes of the meetings of the Board of Directors and its committees, as well as other official records of the Corporation;
- c. Keep abreast on relevant laws, regulations, all governance issuances (including annual attendance at a training on corporate governance), relevant industry developments and operations of the Corporation, and advise the Board of Directors and the Chairman on all relevant issues as they arise;
- d. Work fairly and objectively with the Board of Directors, management and stockholders, and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e. Advise on the establishment of Board committees and their terms of reference;

- f. Inform members of the Board, in accordance with the By-laws, of the agenda of their meetings at least five working days in advance, and ensure that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Assist the Board of Directors in making business judgments in good faith and in the performance of its responsibilities and obligations;
- h. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so;
- i. Ensure that Board procedures, rules and regulations are strictly followed by the directors;
- j. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation, as well as perform required administrative functions;
- k. Oversee the drafting of the By-laws and ensure that they conform with regulatory requirements;
- l. Submit to the SEC such reports, advice or certifications as to the attendance of the directors in Board meetings, as may be required by applicable laws, rules and regulations, as well as perform such other duties and responsibilities as may be provided by the SEC; and
- m. If he is also the Compliance Officer, perform all the duties and responsibilities of the said office as provided in this CG Manual.

#### **2.2.5. External Auditor**

2.2.5.1. The Corporation shall establish standards for the appropriate selection of an External Auditor, and exercise effective oversight of the same to strengthen the External Auditor's independence and enhance audit quality.

2.2.5.2. The External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation, undertake an independent audit of the Corporation and provide objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders. The External Auditor, which shall be duly accredited by the SEC, shall be selected and appointed by the shareholders upon recommendation of the Board of Directors, after consultations with the Audit Committee.

2.2.5.3. The reason/s for the resignation, dismissal or cessation from service of an External Auditor and the date thereof shall be reported in the Corporation's annual and current reports. The said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which the External Auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the report shall be given by the Corporation to the External Auditor prior to its submission.

2.2.5.4. The External Auditor of the Corporation shall not at the same time provide the services of an internal auditor to the Corporation. If non-audit work is given to the External Auditor, the Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the External Auditor or pose a threat to its independence.

2.2.5.5. The Corporation's External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the auditing firm engaged by the Corporation shall be changed every five (5) years or earlier.

2.2.5.6. If an External Auditor believes that the statements made in the Corporation's annual report, information statement, proxy statement or any report filed with the SEC or any regulatory body during its engagement is incorrect or incomplete, it shall present its views in said reports.

#### **2.2.6. Internal Audit**

2.2.6.1. In view of the magnitude of its operations, the Corporation shall have in place an independent internal audit function carried out by three separate and independent Internal Audit Groups – one for the Corporation and its Food Division (comprised of the Corporation's food subsidiaries), one for the Corporation's Beer Division (comprised of the Corporation's beer subsidiaries), and another for the Corporation's Spirits Division (comprised of the Corporation's spirits subsidiaries), which function provides an independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations. Each Internal Audit Group shall be headed by a qualified Chief Audit Executive, who in the case of the Corporation and its Food Division is the Internal Audit Group Head, appointed by the Board of Directors. The Internal Audit Groups shall provide the Board, management, shareholders and other stakeholders of the organization to which it is assigned, with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Audit Groups shall be guided by the International Standards on Professional Practice of Internal Accounting.

2.2.6.2. Each Internal Audit Group shall have the following functions, among others, with respect to the organization to which it is assigned:



- a. Provide an independent risk-based assurance service to the Board of Directors, Audit Committee and management, focusing on reviewing the effectiveness of the governance and control processes in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and management;
- b. Perform regular and special audits as contained in the annual audit plan and based on the organization's risk assessment;
- c. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- d. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Review, audit and assess the efficiency and effectiveness of the internal control system in all areas of the organization;
- f. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluate specific operations at the request of the Board of Directors or management, as appropriate; and
- h. Monitor and evaluate governance processes.

2.2.6.3. Each Internal Audit Group Head shall oversee and be responsible for the internal audit activity of the relevant organization to which he is assigned, including that portion that is outsourced to one or more third party service providers. The Internal Audit Group Heads of each of (i) the Corporation and its Food Division, (ii) the Beer Division and (iii) the Spirits Division, in order to achieve the necessary independence to fulfill their responsibilities, directly reports functionally to the Audit Committees of (i) the Corporation, (ii) San Miguel Brewery Inc. and (iii) Ginebra San Miguel Inc., respectively, and administratively to the Chief Operating Officers of the Food, Beer and Spirits Divisions, as the case may be. Each Internal Audit Group Head shall have the following responsibilities, among others, with respect to the organization to which he is assigned:

- a. Periodically review the Internal Audit Group Charter and present it to senior management and the Audit Committee for approval;

- b. Establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. Communicate the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- e. Report periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Present findings and recommendations to the Audit Committee and give advice to senior management and the Board of Directors on how to improve internal processes.

2.2.6.4. Each of the three Internal Audit Groups shall functionally report directly to the Audit Committees of the Corporation, San Miguel Brewery Inc. and Ginebra San Miguel Inc., as the case may be.

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

2.2.6.6. The Internal Audit Group of the Corporation shall submit to the Audit Committee and management a consolidated annual report on the Food, Beer and Spirits Divisions' internal audit activities, responsibilities and performance, relative to the audit plans and strategies approved by the Audit Committees of the Corporation, San Miguel Brewery Inc. and Ginebra San Miguel Inc. The annual report should include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board of Directors and management. Each Internal Audit Group should certify that it conducts its activities in accordance with the International Standards on the Professional Practice of Internal Auditing; otherwise, it shall disclose to the relevant Board and management the reasons for its non-compliance.

### **3 COMMUNICATION PROCESS**

3.1. The Corporation shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information, which is crucial for informed decision-making by investors, stakeholders and other interested users.

3.2. The Corporation shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

3.3. This CG Manual shall be available for inspection by any shareholder of the Corporation at reasonable hours on business days.

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

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

#### **4 DISCLOSURE AND TRANSPARENCY**

4.1. The Corporation shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

4.2. All directors and officers shall disclose to the Corporation any dealings in the Corporation's shares within three (3) business days.

4.3. All relevant and material information on individual Board members and key executives shall be fully disclosed, to enable shareholders to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

4.4 The Corporation shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The Corporation shall also disclose fixed and variable remuneration as may be required by law, including termination and retirement provisions.

4.5 The Corporation shall disclose to the regulators and the public through the company website and required disclosures, any change, resignation or removal of any director, member of senior management, Internal Audit Group Head and External Auditor, and the reasons therefor.

4.6. The Corporation shall disclose the nature of non-audit services performed by its External Auditor in the annual report to deal with the potential conflict of interest.

4.7. The reports or disclosures required under this CG Manual shall be prepared and submitted to the SEC by the responsible Board committee or officer through the Corporation's Compliance Officer.

4.8. All material facts, events and other information about the Corporation, i.e., anything that could potentially affect share price or its viability or the interest of its

stockholders and other stakeholders, shall be fully, fairly, accurately and timely disclosed to the public. Such information shall include earnings results, acquisition or disposal of significant assets, Board changes, RPTs, shareholdings of directors and changes to ownership. Moreover, in case of acquisition or disposal of significant assets, the Board of Directors shall appoint an independent party to evaluate the fairness of the transaction price to the extent practicable or legally required.

4.9. The Corporation adopts the policy that RPTs shall be made in the ordinary course of business. Further, all RPTs and other unusual or infrequently occurring transactions shall be entered into on an arms-length basis, at market prices and under conditions that protect the rights of all shareholders. An assessment is undertaken at each fiscal year end by examining the financial position of the related party and the market in which the related party operates. Moreover, material or significant RPTs reviewed and approved during the year are disclosed in the Company's audited financial statements and Annual Corporate Governance Report.

4.10. The Corporation shall disclose material and reportable non-financial and sustainability issues. The Board of Directors shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of the Corporation's business, which underpin sustainability. The Corporation should adopt a globally recognized standard or framework in reporting sustainability and non-financial issues.

4.11. Other information that should always be disclosed includes corporate strategy and off balance sheet transactions.

4.12. All disclosed information shall be released via the approved stock exchange procedure for the Corporation's announcements and the company website, as well as through the annual report.

4.13. The Board of Directors 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 SHAREHOLDERS AND OTHER STAKEHOLDERS**

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 a governance covenant between the Corporation and all its investors.

The Corporation shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO, which is an avenue to receive feedback complaints and queries from shareholders, shall have a designated investor relations officer, whose email address and telephone number shall be published in the Corporation's

annual report. The designated investor relations officer shall be present at every shareholders' meeting.

## **5.1. Investors' Rights and Protection**

### **5.1.1. Commitment to Respect Rights of Investors/Minority Interests**

The Corporation shall treat all shareholders fairly and equitably, and shall recognize, protect and facilitate the exercise of their rights. The basic rights of the shareholders are disclosed in this CG Manual, which Manual shall be available to the public through the Corporation's website. In this regard, the Board of Directors is committed to respect the rights of the shareholders and minority interests.

### **5.1.2. Voting Right**

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

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

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

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

### **5.1.3. Pre-emptive Right**

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

### **5.1.4. Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

#### **5.1.5. Right to Information**

5.1.5.1. The shareholders of the Corporation shall be provided, upon request, with periodic reports which disclose relevant 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 compensation of directors and officers.

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

5.1.5.3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meetings, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.

5.1.5.4. Accurate and timely information shall be made available to the shareholders to enable them to exercise sound judgment on all matters brought to their attention for consideration or approval.

5.1.5.5. To encourage active shareholder participation, the Corporation shall provide the shareholders with the notices of annual and special shareholders' meetings, at least twenty-eight (28) days before the meetings. Such notices shall contain sufficient and relevant information, such as the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated on and approved or ratified at the meetings.

5.1.5.6. The Corporation shall make the result of the votes taken during the most recent annual or special shareholders' meeting publicly available the next working day. Voting results will include a breakdown of the approving and dissenting votes on the matters raised during the meeting.

5.1.5.7. The minutes of annual and special shareholders' meetings shall be available on the company website within five (5) business days from the end of the meeting. The minutes of meeting shall include the following matters: (a) A description of the voting and the vote tabulation procedures used; (b) the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received; (c) the matters discussed and the resolutions reached; (d) a record of the voting results for

each agenda item; (e) a list of the directors, officers and shareholders who attended the meeting; and (f) dissenting opinion on any agenda item that is considered significant in the discussion process.

#### **5.1.6. Right to Dividends**

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

5.1.6.2. The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board of Directors; or (b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

#### **5.1.7. Appraisal Right**

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

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

#### **5.1.8. Promotion of Shareholders' Rights**

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. The directors shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. The directors shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and 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.

#### **5.1.9. Alternative Dispute Mechanism for Intra-Corporate Disputes**

The Office of the Corporate Secretary addresses concerns of stockholders and potential disputes between the Corporation and its stockholders. The Corporation shall be assisted by its stock transfer agent, in dealing with issues raised by stockholders, where relevant or necessary.

### **5.2. Duties to Stakeholders**

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

5.2.1. The Board of Directors shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, investors, creditors, the community the Corporation operates in, society, the government, regulators, competitors, external auditors, among others.

5.2.2. The Corporation's Code of Business Conduct and Ethics, which is approved by the Board of Directors, shall establish clear policies and programs to provide a mechanism for the fair treatment of stakeholders and better protection of their rights.

5.2.3. The Board of Directors shall adopt a transparent framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights. Accordingly, the Corporation shall maintain open and easy communication with its stakeholders, through stakeholder engagement touchpoints in the Corporation, such as the IRO, Office of the Corporate Secretary, customer care, and corporate communications group.

5.2.4. The Corporation shall develop and maintain mechanisms for active employee participation to create a symbiotic environment, and encourage involvement in corporate governance processes and in the realization of the Corporation's goals.

5.2.5. The Corporation shall establish policies, programs and procedures for employees covering, among others, the following: (a) health, safety and welfare; (b) training and development; and (c) reward and compensation for employees, to encourage employees to perform better and motivate them to take a more dynamic role in the Corporation.

5.2.6. The Corporation does not tolerate corrupt practices, as expressed in its Code of Business Conduct and Ethics and various anti-corruption policies and



programs, which are disseminated to employees across the organization to embed them in the Corporation's culture.

5.2.7. The Corporation shall establish and maintain a whistleblowing policy that allows employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation, and to have direct access to a unit tasked to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

5.2.8. The Corporation shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

5.2.9. The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates.

## **6 ORIENTATION, TRAINING AND CONTINUING EDUCATION PROGRAMS**

6.1. Prior to assuming office, all first-time directors of the Corporation shall undergo an orientation program on the Corporation's business and corporate structure, its vision, mission and corporate strategy, Articles of Incorporation and By-laws, and this CG Manual and Code of Ethics, to ensure that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program should be able to meet the specific needs of the Corporation and the individual directors and aid any new director in effectively performing his functions.

6.2. Directors and key officers of the Corporation, including the Corporate Secretary and Compliance Officer, shall also be required to undergo annual training and continuing education programs to further their knowledge and assist in their development. The program should aim to promote effective Board performance and the continuing qualification of directors in carrying out their duties and responsibilities. The annual continuing training program is intended to ensure that all directors are continuously informed of the developments in the business and regulatory environments, including emerging risks applicable to the Corporation. The training should involve courses on corporate governance matters relevant to the Corporation, including audit, internal controls, risk management, sustainability and strategy.

## **7 MONITORING AND ASSESSMENT**

The best measure of the Board's effectiveness is through an assessment process. The Board of Directors shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

7.1. The Board of Directors shall conduct an annual self-assessment of its performance, including the performance of the Chairman, the President, individual members of the Board and Board committees. Every three (3) years, the assessment shall be supported by an external facilitator.

7.2. The Board's self-assessment system shall provide, at the minimum, the criteria and process to determine the performance of the Board, the individual directors and the Board committees, and shall be disclosed in the Corporation's website as a mechanism to solicit and receive feedback from the shareholders.

7.3. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this CG Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Section 8 of this CG Manual.

7.4. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report 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.

7.5. This CG Manual shall be subject to quarterly review unless otherwise amended by the Board of Directors.

7.6. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this CG Manual shall be revoked unless upgraded to be compliant with this CG Manual.

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

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

- a. In case of first violation, the subject person shall be reprimanded.
- b. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.
- c. For third violation, the maximum penalty of removal from office shall be imposed. With regard to directors, the provision of Section 28 of the Corporation Code shall be observed.

8.2. The Compliance Officer shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the impossible penalty for such violation, for further review and approval of the Board of Directors.

Adopted by the Unanimous Vote of the Board of Directors on August 16, 2002 and amended on March 30, 2010, August 12, 2011, March 26, 2014, June 25, 2014, May 9, 2017 and November 6, 2019.

Certified correct:



EDUARDO M. COJUANGCO, JR.  
Chairman of the Board



RAMON S. ANG  
President and Chief Executive Officer



ALEXANDRA B. TRILLANA  
Compliance Officer