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## San Miguel Pure Foods Company, Inc. PF

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

|                                  |  |
|----------------------------------|--|
| <b>Form/Report Type</b>          | Amended Manual on Corporate Governance |
| <b>Report Period/Report Date</b> | Jun 30, 2014                           |

#### Description of the Disclosure

Please see attached SMPFC Amended Manual on Corporate Governance as filed with the Securities and Exchange Commission on June 30, 2014, in compliance with SEC Memorandum Circular No. 9, Series of 2014.

#### Filed on behalf by:

|                    |                           |
|--------------------|---------------------------|
| <b>Name</b>        | Alexandra Trillana        |
| <b>Designation</b> | AVP & Corporate Secretary |

June 30, 2014

**Philippine Stock Exchange, Inc.**  
Disclosure Department  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **Ms. Janet A. Encarnacion**  
**Head – Disclosure Department**

Gentlemen:

Please be informed that the Company filed with the Securities and Exchange Commission on June 30, 2014 its amended Manual on Corporate Governance, fully signed by the Chairman and President of the Company. A copy of the Manual as amended, is attached hereto. As previously disclosed to the Exchange on June 25, 2014, the amendments to the Manual on Corporate Governance of the Company were approved by the Board of Directors during its meeting held on the same day.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Alexandra B. Trillana".

**ALEXANDRA B. TRILLANA**  
Corporate Secretary

COVER SHEET

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 702-5000

Company Telephone Number

Amended Manual  
on  
Corporate Governance

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June 30, 2014



**SECURITIES AND EXCHANGE COMMISSION**

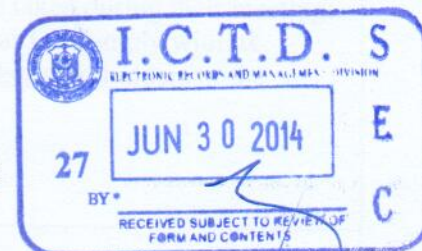
EDSA, Mandaluyong City

ATTENTION:

**ATTY. JUSTINA F. CALLANGAN**

Director

**Corporate Governance and Finance Department**



Ladies and Gentlemen:

As previously reported in the SEC Form 17-C filed with the Commission on June 25, 2014, the Board of Directors of San Miguel Pure Foods Company Inc. (the "Company") approved certain amendments to the Manual on Corporate Governance of the Company, in compliance with SEC Memorandum Circular No. 9, Series of 2014.

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

| Section Reference   | Provision, as Amended  |
|---|--|
| Part I (Objective)  | This Manual shall institutionalize the principles of good corporate governance in the entire organization. <u>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 and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.</u>   |
| Section 2.2.1.2 (Specific Duties and Functions of the Board of Directors) | <p>To ensure a high standard of best practice for the Corporation, <u>its stockholders and other stakeholders</u>, the Board shall:</p> <p>xxx</p> <p><u>Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication and maintaining relations with such stakeholders and agencies regulating the Corporation;</u></p> <p>xxx</p> <p>Provide stockholders <u>and other stakeholders</u> with <u>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;</u></p> |

**San Miguel Pure Foods Company, Inc.**

23rd Flr., The JMT Corporate Condominium, ADB Avenue  
Ortigas Center, Pasig City, Metro Manila, Philippines 1605  
Tel. No.: (632) 702-5000 Fax No.: (632) 634-1801  
Website: [www.sanmiguelpurefoods.com.ph](http://www.sanmiguelpurefoods.com.ph)

A Company of



**SAN MIGUEL CORPORATION**

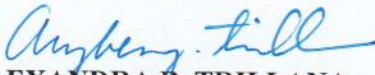
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|  | xxx  |  |
| Section 2.2.1.8 (Adequate and Timely Information)  | <p>Management shall provide the Board with complete, adequate and timely information about the matters to be taken during their meetings and information that would enable the Board to comply with its responsibilities to the stockholders <u>and other stakeholders of the Corporation.</u></p> <p>xxx</p>  |  |
| Section 2.2.2.3.2 (Duties and Responsibilities of the Audit Committee)                   | <p>xxx</p> <p>The system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Corporation <u>for the benefit of all stockholders and other stakeholders.</u></p> <p>xxx</p>  |  |
| Section 2.2.4.4 (Duties and Responsibilities of the Corporate Secretary)                 | <p>xxx</p> <p>Work fairly and objectively with the Board, Management, shareholders <u>and other stakeholders;</u></p> <p>xxx</p>   |  |
| Section 2.2.6.1 (Internal Auditor)   | <p>The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, Management, shareholders <u>and other stakeholders</u> shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Accounting.</p>   |  |
| Part 4 (Reportorial or Disclosure System of Corporation's Corporate Governance Policies) | <p>xxx</p> <p>All material information about the Corporation, i.e., anything that could potentially affect share price <u>or its viability or the interest of its stockholders and other stakeholders,</u> shall be publicly <u>and timely</u> disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors and changes to ownership.</p> <p>xxx</p> <p>The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information <u>through the appropriate Exchange mechanisms for listed</u></p> |  |

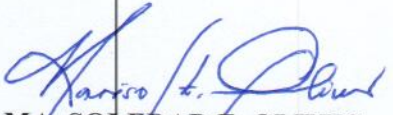
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|  | <u>companies and submissions to the Commission for the interest of its stockholders and other stakeholders.</u> |
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Attached herewith is the Manual, as amended, fully signed by the Chairman and President of the Company.

This also serves as the advisement letter to the Commission that the Company has updated its Annual Corporate Governance Report (SEC Form-ACGR) on account of the foregoing amendments to the Manual, and will be posting its SEC Form-ACGR to its corporate website accordingly.

Very truly yours,

  
**ALEXANDRA B. TRILLANA**  
Corporate Secretary

  
**MA. SOLEDAD E. OLIVES**  
Compliance Officer

**San Miguel Pure Foods Company, Inc.**  
**MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors, Management, Officers and employees of **San Miguel Pure Foods Company, Inc.** (the "Corporation") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance ("Manual"), and acknowledge that the same shall guide the attainment of their corporate goals.

**1 OBJECTIVE**

This Manual shall institutionalize the principles 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 and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.

The Board of Directors, Management, Officers, employees and shareholders 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 shall hold the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. He shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of the regulatory agencies;
- Appear before the Securities and Exchange Commission ("SEC") upon summons on relevant matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Attest on the extent of the Corporation's compliance with this Manual and the SEC code of corporate governance, explaining the reason/s of the *audit*

latter's deviation from the same, in each case where necessary or required by applicable laws, rules and regulations; and

- Identify, monitor and control compliance risks.

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 the Board of Directors.

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

The membership of the Board of Directors may be a combination of executive and non-executive directors (which shall include Independent Directors). The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

#### **2.2.1.1. General Responsibility**

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

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

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

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.

#### **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 shall: *ought*

- 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;
- Appoint competent, professional, honest and highly-motivated Management officers and adopt an effective succession planning program for Management;
- 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;
- Ensure that the Corporation complies with all relevant laws, regulations and best business practices;
- Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication and maintaining relations with such stakeholders and agencies regulating the Corporation;
- 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;
- Adopt a system of internal checks and balances, and to review regularly the effectiveness thereof;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- 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;
- 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;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions *any*

between and among the Corporation and 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;

- Keep Board authority within the powers of the institution as prescribed in the articles of incorporation, by-laws and in existing laws, rules and regulations;
- 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;
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities; and
- Appoint a Compliance Officer as provided in section 2.1 of this Manual. In the absence of an appointment by the Board, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

#### **2.2.1.3. Internal Control Responsibilities of the Board**

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

- Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Corporation and its culture, volume, size and complexity of transactions; degree of risks involved, degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance;
- 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;
- 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 Nomination and Hearing Committee, the duties and responsibilities of the Chief Executive Officer who is ultimately responsible for the Corporation's organizational and operational controls; *audit*

- Evaluate proposed senior Management appointments;
- Select and appoint qualified and competent Management officers; and
- Review the Corporation's human resources policies, conflict of interest situations, compensation program for employees, and Management succession plan.

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

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation;
- To devote time and attention necessary to properly and effectively discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- 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;
- To observe confidentiality of all non-public information which he may acquire or learn by reason of his position as a director;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
- 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 *an*

laws, the members of the Board of Directors shall have the following qualifications:

Qualifications

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

Disqualifications

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

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

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization *angit*

suspending or expelling him from membership, participation or association with a member or participant of the organization;

- 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;
- Any person who has been adjudged by final judgment or order of the SEC or 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 BSP, or any rule, regulation or order of the SEC or BSP;
- 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;
- Any person judicially declared to be insolvent; and
- Conviction 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.

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- 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;
- Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; *any*

- 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;
- If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and
- 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 two (2) 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, apart from his fees and shareholdings, 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. An Independent Director shall submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his election and/or re-election as an Independent Director.

The Corporation shall have at least two (2) Independent Directors or such number of Independent Directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

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

The members of the Board should attend regular and special meetings of the Board in person or through other means as may be allowed by, and in accordance with, the rules and regulations of the SEC.

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 *anglit*

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.

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.

#### **2.2.1.8. Adequate and Timely Information**

Management shall provide the Board with complete, adequate and timely information about the matters to be taken during their 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.

#### **2.2.1.9. 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.

### **2.2.2. Board Committees**

To aid the Board in complying with the principles of good corporate governance, the Board shall constitute Committees.

#### **2.2.2.1. Nomination and Hearing Committee**

The Board shall create a Nomination and Hearing Committee which shall have at least three (3) voting directors (one of whom must be an Independent Director) and one (1) non-voting member in the person of the Human Resources Director/Manager.

2.2.2.1.1. It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications as provided in this Manual. *ampt*

2.2.2.1.2. 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.

2.2.2.1.3. The Nomination and Hearing Committee 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 Manual:

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

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

2.2.2.1.4. In accordance with the guidelines set by the Nomination and Hearing Committee on the number of directorships which a member of the Board may hold pursuant to the policy on multiple board seats under this Manual, the Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

#### **2.2.2.2. Executive Compensation Committee**

2.2.2.2.1. The Executive Compensation Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director.

2.2.2.2.2. Duties and Responsibilities

- 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 *ought*

compensation is consistent with the Corporation's culture, strategy and control environment;

- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and Officers who are needed to run the Corporation successfully;
- 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;
- Disallow any director to decide his or her own remuneration;
- 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;
- Review (if any) of the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and
- In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

#### **2.2.2.3. Audit Committee**

2.2.2.3.1. The Audit Committee shall be composed of at least three (3) members of the Board, at least two (2) of whom shall be Independent Directors. All the members shall preferably have accounting and finance backgrounds and one (1) with audit experience. One (1) of the Independent Directors shall be the Chairman of the Audit Committee. Each member shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment. *audit*

#### 2.2.2.3.2. Duties and Responsibilities

- Assist the Board in the performance of its oversight responsibility for financial reports and financial reporting process, internal control system, audit process and in monitoring and facilitating compliance with both the internal financial management handbook and pertinent accounting standards, legal and regulatory requirements;
- 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;
- Prior to the commencement of the audit, discuss and review all audit plans, scope and audit resources/expenses, and ensure proper coordination if more than one (1) audit firm is involved;
- Perform oversight functions with respect to the Internal and External auditors 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; and review the reports submitted by them;
- Evaluate and determine any non-audit work performed by External Auditors, including the fees therefor, and ensure that such work will not conflict with External Auditors' duties as such or threaten its independence;
- Establish and identify the reporting line of the Internal Auditor;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- Review all interim and annual financial statements before submission to the Board, with particular focus on the following:
  - changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit; *any*

- going concern assumptions;
  - compliance with accounting standards; and
  - compliance with tax, legal and regulatory requirements;
- Ensure that the accounting and auditing processes, practices and methods of the Corporation comply with Philippine and internationally-accepted standards;
  - 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
  - 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:
    - The extent of Management's responsibility in the preparation of financial statements of the Corporation and the delineation of the responsibilities pertaining to the External Auditor must be clearly set out.
    - 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.
    - 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.
    - There should be consistent compliance with SEC's financial reporting requirements.

### 2.2.3. The Chair and The Chief Executive Officer

The roles of the Chair and the Chief Executive Officer, who is the President in the case of the Corporation, are separate, to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. The functions of the Chair and the Chief Executive Officer are clearly defined. *myht*

The Chair shall have, among others, the following functions:

- Ensure that the meetings of the Board are held in accordance with an approved annual schedule and the by-laws of the Corporation, or as the Chair may deem necessary;
- Supervise the preparation of the agenda of the Board meeting in coordination with the Corporate Secretary, taking into account the suggestions of the Chief Executive Officer, Management and directors;
- Preside at the meetings of the directors and shareholders;
- Assist in ensuring compliance with corporate governance guidelines; and
- Maintain quality and timely lines of communication and flow of information between Management and the Board in coordination with the Corporate Secretary and the Chief Executive Officer.

The Chair shall have such other responsibilities as the Board of Directors may assign to him.

The Chief Executive Officer shall have, among others, the following functions:

- Exercise general supervision and management of the business affairs and property of the Corporation;
- Ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control;
- Oversee the preparation of the budgets and the statements of accounts of the Corporation; and
- Prepare such statements and reports of the Corporation as may be required of him by law.

The Chief Executive Officer shall perform such other duties as are incident to his office or are entrusted to him by the Board.

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

2.2.4.1. 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. *anghi*

2.2.4.3. Considering 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

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation;
- As to agenda, inform the members of the Board thereof in accordance with the Corporation's by-laws and ensure that the Board has the necessary information to enable it to arrive at intelligent decisions on matters requiring approval;
- Assist the Board in making business judgments in good faith and in the performance of its responsibilities and obligations;
- Attend all Board meetings (except when justifiable reasons prevent him from doing so), obtain a complete schedule of such meetings at least for the current year and put the Board on notice before every meeting, and maintain, safe keep and preserve the integrity of the records of the Corporation, including the minutes of the Board and Board Committee meetings;
- Work fairly and objectively with the Board, Management, shareholders and other stakeholders;
- Ensure that Board procedures, rules and regulations are strictly followed by the members;
- 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; and
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said office as provided in this Manual.

#### 2.2.5. External Auditor

2.2.5.1. An 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 *any*

selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee.

2.2.5.2. 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.

2.2.5.3. 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.

2.2.5.4. 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.

2.2.5.5. 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 Auditor**

2.2.6.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, Management, shareholders and other stakeholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Accounting.

2.2.6.2. The Internal Auditor shall functionally report directly to the Audit Committee.

2.2.6.3. The minimum internal control mechanisms for Management's operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the Corporation's organizational and procedural controls.

2.2.6.4. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's *anglit*

activities, responsibilities and performance, relative to the audit plans and strategies approved by the Audit Committee. The annual report shall include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that it conducts its activities in accordance with the International Standards on the Professional Practice of Internal Auditing; otherwise, the External Auditor shall disclose to the Board and Management the reasons for its non-compliance.

### **3 COMMUNICATION PROCESS**

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

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

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

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

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

4.2. All material 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 publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors and changes to ownership.

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

4.4. All disclosed information shall be released via the approved stock exchange procedure for Corporation announcements as well as through the annual report.

4.5. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders. *amht*

## **5 SHAREHOLDERS' BENEFIT**

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

### **5.1. INVESTORS' RIGHTS AND PROTECTION**

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

The Board 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 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 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 *amkt***

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 the aggregate 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 make a sound judgment on all matters brought to their attention for consideration or approval.

#### **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.

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; 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. *ampt*

#### **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:

- 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;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

#### **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. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

## **6 MONITORING AND ASSESSMENT**

- 6.1. Each Committee shall report regularly to the Board of Directors.
- 6.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible Officer or employee to the penalty provided under Part 7 of this Manual.
- 6.3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 6.4. The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with such criteria as may be determined by the Board and consistent with the provisions of this Manual. *audit*

6.5. This Manual shall be subject to quarterly review unless otherwise amended by the Board.

6.6. 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 Manual shall be revoked unless upgraded to be compliant with this Manual.

## **7 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

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

- In case of first violation, the subject person shall be reprimanded.
- 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.
- 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.

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

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 and June 25, 2014. *ampt*

Certified correct:

A black ink signature, appearing to be "Eduardo M. Cojuangco, Jr.", written over the printed name.

EDUARDO M. COJUANGCO, JR.  
Chairman

A blue ink signature, appearing to be "Francisco S. Alejo III", written over the printed name.

FRANCISCO S. ALEJO III  
President