

ARTICLE I ORGANIZATIONAL COMMITMENT TO GOOD GOVERNANCE

The primary goal of corporate governance is to create and sustain increased value in the Corporation for all of its stockholders and other stakeholders. To achieve this goal, it is necessary - among other things - to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stockholders and other stakeholders concerned, thereby safeguarding stockholders' and other stakeholders' rights as well as promoting stockholders' and other stakeholders' participation in the corporate governance process.

The governing rules for Corporate Governance are not drawn from any single document. The Philippine Corporation Code lays down the basic legal framework for corporate governance of every Philippine corporation.

The structure for corporate governance of Perla Compania de Seguros, Inc (or "Perla Insurance") is principally contained in the Corporation's Articles of Incorporation and By-Laws and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Manual of Corporate Governance is to supplement and complement the Corporation's Articles and By-Laws by setting forth principles of good and transparent governance.

ARTICLE II BOARD GOVERNANCE

1. The Board of Directors

The Board of Directors is the supreme authority in matters of governance and in managing the regular and ordinary business of the Corporation. Within their authority under the Corporation Code and other applicable laws and the By-laws of the Corporation, the directors acting as a Board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

1.1 Composition

The Board of Directors shall have seven (7) members who shall be elected individually by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the ByLaws of the Corporation.

The Board shall encourage the selection of a mix of competent Directors, each of whom can add value and independent judgment in the formulation of sound corporate strategies and policies.

In line with the best practice in corporate governance and in accordance with the standards set by the Association of Southeast Asian Nations ("ASEAN Standards"), it is the Corporation's goal to have Independent Non-executive Directors comprise more than 50% of the Board.

1.2 Qualifications

A director of the Corporation shall have the following qualifications:

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- a) Ownership of at least one (1) share of the capital stock of the Corporation standing in his name in the books of the Corporation at the time of his election.
- b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education.
- c) Relevant qualification, such as previous business experience, membership in good standing in relevant industry, and membership in business or professional organizations;
- d) Integrity, probity and diligence and assiduousness in the performance of his functions.
- e) For Independent Directors, beneficial equity ownership in the Corporation or in its related companies, which must not exceed two percent (2%)
- f) The term limit set for Independent Directors under applicable laws, rules and regulations.

1.3 Disqualifications

The following persons are disqualified from being a director of the Corporation:

- a) Any person who has been finally convicted by a competent judicial or administrative body of the following : (i) any crime involving the purchase or sale of securities, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his 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 any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from; (I) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker, (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the Commission or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or Insurance Commission, or under any rule or regulation promulgated by the Commission or Insurance Commission, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization;
- c) Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions;

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- d) Any person finally found by the Commission or a court or other administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the Insurance Commission.
- e) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs;
- f) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) months, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment
- g) An Independent Director after serving for nine years (including the two (2) year cooling off period), shall be perpetually barred from being elected as such in the Corporation.

1.4 Independent Directors

The Board shall have such number of Independent Directors as may be required by law and the rules of the SEC and the Insurance Commission.

Independent Directors shall, apart from their fees and shareholdings, be independent from Management and free from any business or other relationship which would, or could reasonably be perceived to, materially interfere with the exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation. For this purpose, an Independent Director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder at the time of his election or appointment and/or re-election as a Director

1.5 Policy on Multiple Board Seats

The Corporation shall ensure that adequate time and attention is given to the fulfillment of the Directors of their duties. The Independent Directors shall hold no more than five board seats in other companies and Executive Directors shall hold no more than two board seats in other companies. The Board may also allow Executive Directors to hold directorships that are necessary or desirable in the pursuit of the Corporation's business or in furtherance of its corporate social responsibility.

1.6 Board Meetings

Members of the Board should attend regular and special meetings of the Board in person or via teleconference.

The Board shall meet at least six (6) times each calendar year. It shall hold a meeting at the start of the financial year, immediately after the annual meeting of the stockholders and at least once every quarter and on such other days that it may designate.

Two-thirds (2/3) of the number of Directors shall constitute a quorum for the transaction of corporate business.

Non-executive Directors shall meet without any executives present at least once a year.

1.7 General Responsibility of the Board for Good Governance

a) Compliance with the principles of good governance shall start with the Board of Directors. It shall be the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

b) To ensure good governance of the Corporation, the Board shall formulate and continuously review 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 review the vision and mission statement of the Corporation every year and shall oversee the implementation of the corporate strategy.

c) The Board shall ensure the presence and adequacy of internal control mechanisms for good governance including but not limited to the following:

1. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
2. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
3. Appointing a CEO with the appropriate ability, integrity, and experience to fill the role; and defining the duties and responsibilities of the CEO;
4. Reviewing proposed senior management appointments;
5. Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan;
6. Institutionalizing the internal audit function;
7. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

1.8 Specific Duties of the Board of Directors

The Board shall exert its best effort to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders. To do so, it shall perform all the functions which it is required to perform in the Corporation's By-Laws, and additionally, shall

a) Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration and all such meetings shall be minuted;

b) Create committees and other bodies it may deem advantageous or necessary in running the affairs of the Corporation, as well as appoint advisory Directors who can participate in Board deliberations but whose functions shall be strictly advisory and non-voting; and appoint officers as the Board may deem necessary, and fix their duties and powers;

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- c) Select and appoint a President/ Chief Executive Officer and other senior officers with the appropriate level of motivation, integrity, competence and professionalism in accordance with the process and criteria set in the Board Charter;
- d) Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Corporation in accordance with the criteria set in the Board Charter and Charter of the Nomination Committee;
- e) Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;
- f) Ensure that the Corporation complies with all relevant laws, regulations and as far as possible best business practices;
- g) Formulate a clear communication and disclosure policy and strategy to accurately, promptly, regularly and effectively communicate with the SEC and the Corporation's stockholders and other stakeholders and oversee the proper and effective implementation thereof.
- h) Adopt a system of internal checks and balances within the Board and the Corporation. Such internal control system shall be regularly reviewed and updated to maintain its adequacy and effectiveness;
- i) Identify and monitor key risks and key performance areas, and endeavor to provide appropriate technology and systems for the proper identification and monitoring thereof;
- j) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;
- k) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties;
- l) Create an internal self-rating system for the annual performance assessment of the Board, the individual Directors, the board committees, the President and CEO and other key management officials in accordance with the process and criteria laid down in the Board Charter;
- m) Cause the company to participate in the Corporate Governance Survey using the ASEAN Corporate Governance Scorecard as an instrument
- n) The Board is primarily responsible to the stockholders and other stakeholders for financial reporting and control, and should:
 - 1) Provide to all stockholders and other stakeholders relevant and timely information about the Corporation, including but not limited to a semestral report and an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the SEC.

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- 2) Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
 - 3) Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
 - 4) Report that the business is a going concern, with supporting assumptions or qualifications, if necessary
 - 5) Maintain a sound system of internal control to safeguard stockholders' and other stakeholders' investment and the Corporation's assets;
 - 6) Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
 - 7) Require the chief audit executive to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- o) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;
- p) Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;
- q) Implement and monitor compliance with the Code of Conduct and Ethics
- r) Fix a record date for the purpose of determining the stockholders who are entitled to exercise the rights such as, but not limited to, the rights to receive notice of, and to *vote* at, any meeting of stockholders and the right to receive dividends. In cases of declaration of cash dividends, the record date shall in no case be less than ten (10) no more than thirty (30) days from said declaration.

1.9 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such Directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other stakeholders.

When a Director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to

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which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation

1.10 Compensation of Directors

a) The Board of Directors shall have the sole authority, in accordance with the resolution of the stockholders or the By-laws, to determine the amount, form and structure of the fees and other compensation of the Directors.

b) Only non-executive directors shall be entitled to receive from the Corporation fees as compensation for their services as Directors.

c) From the effective date of this Manual, no Director shall be involved in deciding his own remuneration during his incumbent term.

2. Board Committees

The Board of Directors may create such committees as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Corporation and to aid in good governance.

2.1 Executive Committee

a) The Board shall appoint from among its members an Executive Committee composed of not less than three (3) members, majority of whom shall be citizens of the Philippines, and shall designate among the members of the Committee a Chairman and a Vice Chairman. The Board may from time to time increase the membership of the Committee, and appoint additional members therein, who may or may not be Directors.

b) The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws and all actions not in violation of Philippine Law

c) The Chairman of the Executive Committee is the legal representative of the Corporation. He shall execute the resolutions of the stockholders' General Meetings, of the Board, and of the Committee; sign, in accordance with said resolutions, such contracts, instruments and powers of attorney as may be necessary; represent the Corporation and vote at the stockholders' meetings all stocks owned by the Corporation in other corporations or companies; prepare semi-annually the budget of administration expenses; appoint and discharge the employees occupying the positions authorized by the Board or by the Executive Committee.

d) A majority of all the members of the Executive Committee shall constitute a quorum. The Executive Committee shall fix its own rules of procedure. An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, *provided, however*, that such act shall be subject to revision or alteration by the Board; *provided, further*, that no rights or acts of third parties shall be affected by such revision or alteration. All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or alteration by the

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Board of Directors, *provided* that no rights or acts of third parties shall be affected by any such revision or alteration.

e) The Committee shall hold meetings as often as may be deemed necessary or desirable at a time and place determined by its Chairman. The actions of the Committee may also be taken by written consent (in physical, electronic or digital format by majority of the members when deemed necessary by the Committee or its Chairman. The minutes of the Committee meeting will be recorded and maintained by the Corporate Secretary and presented to the Committee at the next Committee meeting for approval. The Corporate Secretary or his designated representative shall act as secretary for the meetings.

2.2 Nomination Committee

a) The Nomination Committee shall be composed of at least three (3) Directors majority of whom shall be Independent Director. The Board may from time to time increase the membership of the Committee and appoint additional members therein who may or may not be directors of the Corporation.

The Board shall designate one (1) member of the Committee, who must be an Independent Director as its Chairman.

b) The Committee shall have the following functions:

- 1) review and monitor the structure, size and composition of the Board and make recommendations to ensure compliance with applicable laws, rules and regulations as well as the Corporation's By-laws and this Manual
- 2) install and maintain a process to ensure that all Directors to be nominated for election at the next Annual General Stockholders' Meeting have the qualifications and none of the disqualifications stated above;
- 3) encourage the selection of a mix of competent Directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies
- 4) Review and evaluate the qualifications of persons nominated to positions which require appointment by the Board, and provide guidance and advice as necessary for appointments by the Chairman or President to positions below Managing Director
- 5) Review succession plans for members of the Board and senior executives (from group heads to the Chief Executive Officer)
- 6) Assess the effectiveness of the Board's processes and procedures in the election or replacement of Board members and in appointing officers or advisors, and develop, update and recommend to the Board policies for considering nominees for Directors, officers or advisors:
- 7) Perform such other duties and responsibilities that may be delegated to the Committee by the Board from time to time.

c) The Committee shall hold meetings at least twice a year at a time and place determined by its Chairman, with further meetings to occur when deemed necessary or desirable by the Committee or its Chairman

2.3 Remuneration Committee

- a) The Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director. The Board may from time to time increase the membership of the Committee, and appoint additional members therein, who may or may not be Directors.
- b) The Committee shall have the following duties and responsibilities:
- 1) 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;
 - 2) Review at least annually the performance of each of the Chairman of the Board, the Chief Executive Officer (CEO) and Chief Operations Officer (COO) and measure such performance against each of his goals and objectives pursuant to the Corporation's plans and determine his or her compensation for approval of the Board.
 - 3) Review the structure and competitiveness of the Corporation's executive officer compensation programs considering the following factors: (i) to the attraction and retention of executive officers; (ii) the motivation of executive officers to achieve the Corporation's business objectives; and (iii) the alignment of the interests of executive officers with the long-term interests of the Corporation's shareholders and other stakeholders;
 - 4) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;
 - 5) Periodically review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- c) No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

2.4 Audit Committee

- a) There shall be an Audit Committee composed of three (3) members, and at least one of whom shall be an independent director. The independent director shall chair the Committee and shall be responsible for ensuring the effective interaction among the Committee members, with management and the internal and external auditors. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Corporation's business, including the financial management systems and environment in particular.
- b) The Audit Committee is expected, through the provision of checks and balance to support the corporate governance process. It shall have the following particular duties and responsibilities:
- 1) Regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statement. the effectiveness

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of the system of internal controls, the performance and independence of the Company's external auditors, the performance of the internal audit function, and the Company's compliance with legal, regulatory or corporate governance requirements;

2) Highlight to the Board any serious concerns over the design or operating effectiveness of internal controls that may have a material impact on the financial statements;

3) For any awareness or knowledge of any suspected fraud or irregularity, or suspected infringement of any laws or regulations of any regulatory authority in the Philippines, which has or is likely to have a material impact on the Company's operating results or financial position, the Audit and Risk Committee must discuss such matter with the independent auditor, and, at an appropriate time, report the matter to the Board;

4) Provide an open avenue of communication between internal audit, the independent auditors, management, and the Board of Director;

5) Report annually to the Board of Directors, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by Law, including approval of non-audit services.

6) Review any other reports the Company issues that relate to Committee responsibilities;

7) Review and assess the adequacy of the Audit Committee Charter at least annually, requesting Board of Directors' approval for proposed changes and ensure appropriate disclosure as may be required by Law or regulation;

8) Perform other activities related to this Charter as requested by the Board of Directors;

9) The Committee is empowered to investigate any matter brought to his attention with full access to all records, books of accounts, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose;

10) The Committee's oversight function on the financial reporting and disclosures of the Corporation includes reviewing the quarterly and annual financial statements for accuracy, reasonableness of estimates, assumptions and judgments, and compliance with accounting standards and tax requirements.

11) The Committee's oversight function on management and internal audit of the Corporation includes setting up the Audit Department, and ensuring that the Internal Auditors have full access to the company records and properties relevant to its function. The committee shall review all reports of the internal auditors and evaluate the effectiveness of the department.

12) The Committee's oversight function on external audit of the Corporation includes reviewing the performance and appointing external auditors, coordinate internal and external auditors as well as to review all external auditor reports and ensure that management takes corrective actions where necessary. They must ensure that external auditors have all the access needed to records, and personnel to enable a full audit.

13) The Committee's oversight function on risk management and internal controls of the Corporation includes reviewing the internal auditors evaluations, coordinate with Risk Management Committee for review of statements, operational processes and other risks,

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discuss with management the risk exposures, review crisis management, and request management to take action to rectify weaknesses.

c) The Committee shall meet at least quarterly. Preferably, the quarterly meetings will be held prior to the meeting of the Board of Directors. In cases when there is a need for special meetings to take up any critical items that would need approval in between the quarterly meetings, it shall be up to the Chairman of the Committee to either call for a special meeting or just allow the routing of the covering paper.

ARTICLE III
MANAGEMENT

The roles of the Chairman and the Chief Executive Officer ("CEO") will be separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making.

a) Chairman of the Board

1) The Chairman of the Board shall have the following powers:

- i) To preside at all of stockholders' meetings and meetings of the Board; and
- ii) To provide leadership for the board of directors of the company

2) He shall have the following specific duties and responsibilities:

- i) Schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations;
- ii) Prepare the meeting agenda in consultation with the CEO;
- iii) Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- iv) Assist in ensuring compliance with the Corporation's guidelines on corporate governance.

The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.

b) Vice-Chairman

In the absence of the Chairman of the Board, the Vice-Chairman shall preside at meetings of the Board.

c) President/CEO

In addition to the duties imposed on the President/CEO by the Board of Directors, the President shall

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- 1) have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers;
- 2) see that all orders and resolutions of the Board of Directors are carried into effect;
- 3) submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs;
- 4) report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice. The President / CEO shall have such other responsibilities as the Board of Directors may impose upon him

d) The Treasurer

The Treasurer of the Corporation shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

- 1) deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as the Board may from time to time designate;
- 2) regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;
- 3) ensure funds availability on a timely basis and at the most economical means;
- 4) Invest excess funds to provide a suitable return;
- 5) ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

e) The Corporate Secretary

The Corporate Secretary shall be a resident and citizen of the Philippines. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a chief legal officer. He must also have some financial and accounting knowledge.

The Corporate Secretary shall have the following functions:

- 1) serve as an adviser to the Directors on their responsibilities and obligations;
- 2) keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;

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- 3) record all transfers of stock and cancellations and keep all stock certificates transferred, likewise, keep a list in alphabetical order of all stockholders of the Corporation and of their residences and the shares owned by each;
- 4) attend to the giving and serving of notices of Board and shareholder meetings;
- 5) be fully informed and be part of the scheduling process of other activities of the Board;
- 6) prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at *every* meeting;
- 7) oversee the adequate flow of information to the Board prior to meetings;

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him.

The Board shall have separate and independent access to the Corporate Secretary

ARTICLE IV
GOVERNANCE POLICY ON CONFLICT OF INTEREST

Directors, officers and employees shall always advance the interest of the Corporation over their personal interests. They are required to be loyal to the organization so much so that they may not directly or indirectly take undue advantage of their position in the Corporation. They must promote the common interest of all shareholders and other stakeholders, and the Corporation without regard to their own personal interests.

- a) A conflict of interest exists when a Director, officer or employee of the Corporation supplies or is attempting or applying to supply goods or services to the Corporation:
 - i. Supplies or is attempting or applying to supply goods or services to the Corporation
 - ii. Supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
 - iii. Acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
 - iv. Accepts gifts or invitations of any form from the supplier, customer or business partner of the Corporation. or from any third person or entity with existing or intended business dealings with Corporation, except when the gift or invitation is directly attributable to purely familial or personal relationships, only of nominal value. a simple promotional item or is part of the supplier's public relations program or part of business meetings or discussions:
 - v. Engages in a business or activity which competes with or works contrary to the best interests of the Corporation.
 - vi. Uses material company information of which they may have knowledge and/or access by reason of their office in. or employment with, the Corporation to their personal advantage or the advantage of any third party to the prejudice of the Corporation;

b) If an actual or potential conflict of interest should arise on the part of Directors, the concerned Director shall not participate in the discussion of, and vote on, the matter where he is in conflict of interest. A Director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

c) Directors, officers and employees who have personal or pecuniary interest on any enterprise with which the Corporation has an existing or intended transaction shall fully disclose the relevant facts of the situation to the Chairman of the Board and to the Human Resources Department of the company.

d) The foregoing is without prejudice to the Corporation's existing Code of Conduct and Ethics for Directors, officers and employees.

ARTICLE V

AUDIT AND COMPLIANCE

1. Internal Audit

a) The Internal Audit Group shall provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the organization's operations. It shall provide the Board, Management, the stockholders and other stakeholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

b) The Internal Audit Group performs its auditing functions faithfully by maintaining independence from the management and controlling shareholders.

c) The Internal Audit Group governs its work in adherence to the Corporation's Code of Conduct and Ethics. The Internal Audit Group also conducts its activities in accordance with the International Standards for the Professional Practice of Internal Auditors and guided by the COSO framework of internal control.

d) The Internal Audit Group has the following specific duties and responsibilities:

1) Assists the Board and the Audit Committee in discharging its governance responsibility;

2) Evaluates and provides reasonable assurance that risk management, control and governance systems are functioning as intended and will enable the company's strategy, objectives and goals to be met;

3) Reports risk management issues and internal controls deficiencies identified directly to the Audit Committee and provides recommendations to improve the company's operations, in terms of both efficient and effective performance;

4) Evaluates information security and associated risk exposures:

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- 5) Evaluates regulatory compliance program with consultation from legal counsel and other relevant units or external advisors, as necessary;
- 6) Evaluates the company's readiness in case of business interruption;
- 7) Maintains open communication with management and the Audit Committee;
- 8) Teams with other internal and external resources as appropriate for assurance and advisory work;
- 9) Engages in continuous education and staff development;
- 10) Provides support to the company's anti-fraud and whistleblower programs.

2. External Audit

- a) The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.
- b) The External Auditor shall:
 - 1) perform fair audits independently from the Corporation, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Corporation's accounting information;
 - 2) check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 - 3) perform such other functions as may be approved by the Board or the Audit Committee in its engagement of the auditor, *provided, however*, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.

ARTICLE VI

DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets.

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

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submission to the Commission for the interest of its stockholders and other stakeholders.

ARTICLE VII

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

1. Shareholder Rights

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

a) Voting Right

All shareholders, including minority shareholders, have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of Directors. Directors may be removed with or without cause, but Directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

b) Pre-emptive Right

All stockholders have pre-emptive rights, unless there is a specific denial of this right 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 may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

c) Right of Inspection

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 provided an annual report, including financial statements, without cost or restrictions

d) Right to Information

Upon request and for a legitimate purpose, a shareholder shall be provided with periodic reports which disclose personal and professional information about the Directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among Directors and key officers, and the aggregate compensation of Directors and officers. The Information Statement, Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.

The minority shareholders shall have 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.

In accordance with existing law and jurisprudence, 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 should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

e) Right to Dividends

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Shareholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct the corporation to declare dividends when its retained earnings is 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 a special reserve for probable contingencies.

2. Duty of Directors to promote shareholders rights

It is the duty of the Directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and provide effective 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.