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

ATTY. MONICA ISABELLE I. VILLANUEVA

810-8901

**Manual on Corporate Governance  
(as of May 31, 2017)**

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**REVISED MANUAL ON CORPORATE GOVERNANCE**

**(As of 31 May 2017)**



## ARTICLE 1: INTRODUCTION

The Board of Directors, Management, Officers and Staff of **ROXAS AND COMPANY, INC.** hereby commit themselves to the principles and best practices contained in this Manual and acknowledge that these principles and practices will guide them in the attainment of the corporation's goals. The corporation continues to adhere to its Mission and Vision Statements as well as its Core Values which all form an integral part of this Manual.

This Manual institutionalizes the principles of good corporate governance in the entire organization. The Board of Directors, Management, Officers and Staff of RHI hereby undertake to do every effort that shall be necessary to create awareness and observance of these principles.

## ARTICLE 2: VISION AND MISSION STATEMENT AND CORE VALUES

### VISION STATEMENT

Roxas and Company, Inc. aims to be a leading publicly-listed holding firm establishing dynamic and socially-centered business enterprises that solidly contribute to nation-building.

### MISSION STATEMENT

We commit to the following mission:

- To maintain businesses that deliver superior results to customers and other stakeholders
- To deliver long-term growth in shareholder value
- To be a responsible corporate citizen by participating in nation- and community-building
- To ensure that our businesses promote environmental protection and sustainable development practices
- To provide a nurturing environment to develop and empower our people

### CORE VALUES

- R** – Resiliency and Reliability
- O** – Observance of Good Corporate Governance Practices
- X** – eXcellence and Innovation
- A** – Accountability and Integrity
- S** – Social Responsibility and Nation-Building

## **ARTICLE 3: BOARD GOVERNANCE**

The Board of Directors (the “Board”) is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

### **3.1. Composition of the Board**

- 3.1.1. The Board shall be composed of **seven (7)** members who are elected by the 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 By-Laws of the corporation. The corporation shall have at least **three (3)** independent directors.
- 3.1.2. The membership of the Board may be a combination of executive and nonexecutive directors, which include independent directors, in order that no director or small group of directors can dominate the decision-making process. The nonexecutive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
- 3.1.3. **The Corporation encourages diversity in the composition of the Board. Diversity shall not be limited to gender diversity but shall include diversity in age, ethnicity, culture, skills, competence and knowledge.**

### **3.2. Qualifications of Directors**

- 3.2.1. In addition to the qualifications for membership in the Board provided for in the Corporation Code and other relevant laws, the members of the Board should possess the following qualifications:
  - 3.2.1.1. Holder of at least one thousand (1,000) shares of stock of the corporation;
  - 3.2.1.2. At least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
  - 3.2.1.3. At least twenty one (21) years old;
  - 3.2.1.4. Possesses integrity and probity; and
  - 3.2.1.5. Assiduous.
- 3.2.2. The Board may likewise provide for the following additional qualifications for membership in the Board:
  - 3.2.2.1. Practical understanding of the business of the corporation;
  - 3.2.2.2. Membership in good standing in relevant industry, business or professional organizations; and
  - 3.2.2.3. Previous business experience.

### 3.3. Disqualification of Directors

3.3.1. *Permanent Disqualification.* The following shall be grounds for the permanent disqualification of a director:

3.3.1.1. 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 identified 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;

3.3.1.2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission ("Commission") or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission 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 Commission or *Bangko Sentral ng Pilipinas* ("BSP"), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

3.3.1.3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

3.3.1.4. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to

have willfully violated, or willfully aided, abetted, counseled, included or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission of BSP, or any of its rule, regulation or order;

3.3.1.5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

3.3.1.6. Any person judicially declared as insolvent;

3.3.1.7. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

3.3.1.8. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to date of his election or appointment.

3.3.2. *Temporary Disqualification.* The Board may provide for the temporary disqualification of a director for any of the following reasons:

3.3.2.1. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;

3.3.2.2. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;

3.3.2.3. Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

3.3.2.4. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;

3.3.2.5. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the

disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

### **3.4. Responsibilities, Duties and Functions of the Board**

- 3.4.1. *General Responsibility.* It is 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. The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.
- 3.4.2. *Duties and Functions.* To ensure a high standard of best practice for the corporation, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:
- 3.4.2.1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.
  - 3.4.2.2. Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
  - 3.4.2.3. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
  - 3.4.2.4. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or Chief Financial Officer ("CFO") or his equivalent shall exercise oversight responsibility over this program.
  - 3.4.2.5. 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 with them.
  - 3.4.2.6. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.

- 3.4.2.7. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
  - 3.4.2.8. 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 of interlocking director relationships by members of the Board.
  - 3.4.2.9. Constitute an Audit and Risk Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
  - 3.4.2.10. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
  - 3.4.2.11. Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.
  - 3.4.2.12. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
  - 3.4.2.13. Appoint a Compliance Officer who shall have the rank of at least vice president.
  - 3.4.2.14. **Adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the company website.**
  - 3.4.2.15. **Ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.**
- 3.4.3. *Internal Control Responsibilities.* The Board shall continue and enhance its internal control environment by observing the following measures:



- 3.4.3.1. Adoption and improvement of minimum internal control mechanisms for the performance of the Board's oversight responsibility including, but not limited to, the following:
- i. Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
  - ii. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
  - iii. Evaluation of proposed senior management appointments;
  - iv. Selection and appointment of qualified and competent management officers; and
  - v. Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- 3.4.3.2. Formulation, implementation and enhancement of systems of effective organizational and operational controls depending on the following factors: nature and complexity of the business and the business 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.
- 3.4.3.3. Establishment of an internal audit system that can reasonably assure the Board, Management and stockholders that the Corporation's key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

### **3.5. Specific Duties and Responsibilities of a Director**

- 3.5.1. A director's office is one of trust and confidence. A director shall act in the best interest of the corporation in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.
- 3.5.2. A director shall observe the following norms of conduct:
- 3.5.2.1. *Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.*

The basic principle to be observed is that a director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process. A director who has a continuing material conflict of interest shall seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

- 3.5.2.2. *Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.*

A director shall devote sufficient time to familiarize himself with the corporation's business. He shall be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He shall attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

- 3.5.2.3. *Act judiciously.*

Before deciding on any matter brought before the Board, a director shall carefully evaluate the issues and, if necessary, make inquiries and request clarification.

- 3.5.2.4. *Exercise independent judgment.*

A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position. He shall not be afraid to take an unpopular position. Corollarily, he shall support plans and ideas that he thinks are beneficial to the corporation.

- 3.5.2.5. *Have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.*

A director shall also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.

3.5.2.6. *Observe confidentiality.*

A director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.

### **3.6. Board Meetings and Quorum Requirement**

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

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

### **3.7. Board Committees**

The Board shall maintain the following committees to assist it in good corporate governance:

#### **3.7.1. Audit and Risk Committee.**

The Audit and Risk Committee shall consist of at least three (3) **non-executive** directors, who shall preferably have accounting, **audit and/or** finance backgrounds, **majority** of whom shall be independent directors. The chair of the Audit and Risk Committee shall be an independent director. The committee shall have the following functions:

3.7.1.1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

3.7.1.2. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;

3.7.1.3. Review the risk management infrastructure and culture to ensure that the relevant activities are aligned with the overall goals and strategies of the Company;

3.7.1.4. Perform oversight functions over the corporation's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- 3.7.1.5. Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- 3.7.1.6. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 3.7.1.7. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- 3.7.1.8. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- 3.7.1.9. Review the reports submitted by the internal and external auditors;
- 3.7.1.10. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - i. Any change/s in accounting policies and practices
  - ii. Major judgmental areas
  - iii. Significant adjustments resulting from the audit
  - iv. Going concern assumptions
  - v. Compliance with accounting standards
  - vi. Compliance with tax, legal and regulatory requirements.
- 3.7.1.11. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- 3.7.1.12. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's annual report.
- 3.7.1.13. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit and Risk Committee.

3.7.1.14. The Audit and Risk Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

**3.7.2. Nomination, Election and Governance Committee.**

The Nomination, Election and Governance Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

3.7.2.1. It shall review and evaluate the qualifications of, and shortlist, all persons nominated to the Board and other appointments that require Board approval.

3.7.2.2. It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

3.7.2.3. It shall consider the following guidelines in the determination of the capability of a director to serve as such:

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

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

The CEO 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 diligently shall not be compromised.

3.7.2.4. Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

3.7.2.5. Review and monitor the training and continuous professional development of directors and senior management;

3.7.2.6. Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

3.7.2.7. Develop, review and monitor the code of conduct or compliance manual applicable to the directors and employees of the Company;

3.7.2.8. Review the Company's compliance with the Revised Code of Corporate Governance and disclosure requirements in the Corporate Governance Report.

3.7.2.9. The findings and recommendations of the Nomination, Election and Governance Committee shall be submitted to the Board for approval; Provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

### **3.7.3. Executive Compensation Committee.**

The Executive Compensation Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

3.7.3.1. It shall 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 to ensure that their compensation is consistent with the Corporation's culture, strategy and control environment;

3.7.3.2. Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board of Directors;

3.7.3.3. Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall 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 the duties once hired;

3.7.3.4. Disallow any director to decide his or her own remuneration;

3.7.3.5. Provide in the Corporation's annual reports prescribed by the Commission, 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 top four (4) management officers during the preceding fiscal year;

3.7.3.6. Review of 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 met periodically in their respective posts.

### 3.7.4. Related Party Transaction Committee

The Related Party Transaction Committee shall be composed of three (3) members, two (2) of which shall be independent directors. The functions of the Related Party Transaction Committee are as follows:

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

**3.7.4.4 Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;**

**3.7.4.5 Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and**

**3.7.4.6 Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.**

3.7.5. Each Committee shall have a Charter which shall define and govern, among other matters, its purposes, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedures for escalation to the Board of decisions of such Committee.

3.7.6. The respective Charters of the Committees shall be approved by the Board and shall not be amended unless such amendment shall have been approved by the Board. **The approved Charters of each Committee shall be published in the Corporation's website.**

### **3.8. The Chairman of the Board**

3.8.1. The duties and responsibilities of the Chairman in relation to the Board include, among others, the following:

3.8.1.1. Ensure that the meetings of the Board are held in accordance with the by-laws or as he may deem necessary;

3.8.1.2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Chief Executive Officer ("CEO"), Management and the directors; and

3.8.1.3. Maintain qualitative and timely lines of communication and information between the Board and Management.

3.8.2. The roles of the Chairman and CEO shall, as much as practicable, be separate to foster an appropriate balance or power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions shall be made between the Chairman and CEO upon their election. If the positions of the Chairman and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.



### **3.9. The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He shall have the following responsibilities:

- 3.9.1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- 3.9.2. Be loyal to the mission, vision and objectives of the corporation;
- 3.9.3. Work fairly and objectively with the Board, Management and stockholders and other stakeholders;
- 3.9.4. Have appropriate administrative and interpersonal skills;
- 3.9.5. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- 3.9.6. Have a working knowledge of the operations of the corporation;
- 3.9.7. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 3.9.8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- 3.9.9. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- 3.9.10. If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.
- 3.9.11. Submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

### **3.10. The Compliance Officer**

To ensure adherence to the corporate principles and best practices, the Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. He shall perform the following duties:

- 3.10.1. Monitor compliance by the corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found,

report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;

- 3.10.2. Appear before the Commission when summoned in relation to compliance with this Code; and
- 3.10.3. Issue a certification every January 30th of the year on the extent of the corporation's compliance with this Code for the completed year and, if there are any deviations, explain the reason for such deviation.

#### **ARTICLE 4: ADEQUATE AND TIMELY INFORMATION**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members shall be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the corporation's expense.

#### **ARTICLE 5: ACCOUNTABILITY AND AUDIT**

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

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

- 5.2. Management shall, under the supervision of the Audit and Risk Committee, formulate the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- 5.2.1. The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained;

- 5.2.2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders;
- 5.2.3. On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations;
- 5.2.4. The corporation shall consistently comply with the financial reporting requirements of the Commission.
- 5.3. **External Auditor.**
- 5.3.1. The Board, after consultations with the Audit and Risk Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. **The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders.**
- 5.3.2. The external auditor shall not, at the same time, provide internal audit services to the corporation.
- 5.3.3. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence. **The corporation should disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.**
- 5.3.4. The external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, shall be changed with the same frequency.
- 5.3.5. If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures of audit procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission. **For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.**

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

#### 5.4. Internal Auditor.

5.4.1. 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 and Stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.

5.4.2. The Internal Auditor shall submit to the Audit and Risk Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Risk 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 shall certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

#### 5.4.3. The Internal Auditor shall have the following functions:

5.4.3.1 Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;

5.4.3.2 Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;

5.4.3.3 Performs consulting and advisory services related to governance and control as appropriate for the organization;

5.4.3.4 Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;

5.4.3.5 Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;

5.4.3.6 Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and

whether the operations or programs are being carried out as planned;

5.4.3.7 Evaluates specific operations at the request of the Board or Management, as appropriate; and

5.4.3.8 Monitors and evaluates governance processes.

## ARTICLE 6: TRAINING PROCESS

- 6.1. If necessary, funds shall be allocated by the Board upon recommendation of the CFO or his equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 6.2. **The Board shall have an annual recurrent training of at least four (4) hours on programs duly recommended by the CFO.**
- 6.3. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

## ARTICLE 7: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

- 7.1. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

### 7.1.1. *Voting Right.*

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

### 7.1.2. *Pre-emptive Right.*

All stockholders shall have pre-emptive rights in accordance with law, 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 stockholders 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.

7.1.3. *Power of Inspection.*

All stockholders shall be allowed to inspect corporate books and records including minutes of the 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.

7.1.4. *Right to Information.*

7.1.4.1. The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the corporation's shares, dealings with the corporation, relationships among directors and key officers and the aggregate compensation of directors and officers.

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

7.1.4.3. The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for. If not included, then the minority stockholders shall be allowed to propose such matters in the agenda of a stockholders' meeting, being within the definition of "legitimate purposes" and in accordance with law, jurisprudence and best practice.

7.1.5. *Right to Dividends.*

7.1.5.1. Stockholders shall have the right to receive dividends subject to the discretion of the Board.

7.1.5.2. 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.

7.1.6. *Appraisal Right.*

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under

Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- 7.1.6.1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
  - 7.1.6.2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets provided in the Corporation Code; and
  - 7.1.6.3. In case of merger or consolidation.
- 7.2. The Board shall continue to be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders 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, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.
- 7.3. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.
- 7.4. The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
- 7.5. Although all stockholders shall be treated equally or without discrimination, the Board shall give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.
- 7.6. **The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available promptly after the meeting. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be made available on the company website.**
- 7.7. **Investor Relations Officer**
- The Board shall appoint an Investor Relations Officer (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting.**

## **ARTICLE 8: RESPECT AND PROTECTION OF THE RIGHTS AND INTERESTS OF THE COMPANY'S STAKEHOLDERS**

8.1. The Company recognizes its responsibility to protect the rights and interests of its stakeholders, specifically, its employees, suppliers, customers, creditors, financiers, as well as the government, the environment, the community in which it operates, and other key stakeholder groups. To this end, the Company shall:

8.1.1. Have in place a workplace development program;

8.1.2. Have in place a merit-based performance incentive mechanism, such as an employee stock option plan or any such scheme that awards employees and at the same time aligns their interests with those of the stockholders;

8.1.3. Have in place a community involvement program;

8.1.4. Have in place an environment-related program;

8.1.5. Have in place policies that guide the Company in its dealings with its suppliers, customers, creditors, market intermediaries, and other market participants;

8.1.6. Ensure that the Board and Management deal fairly with the Company's employees, suppliers and customers, creditors and other key stakeholder groups.

## **ARTICLE 9: DISCLOSURE AND TRANSPARENCY**

9.1. 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 its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management,

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 submissions to the Commission for the interest of its stockholders and other stakeholders.



- 9.2. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or Officer through the Corporation's Compliance Officer;
- 9.3. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- 9.4. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.
- 9.4.1. **All directors and officers shall disclose/report to the corporation any dealings in the corporation's shares within three (3) business days.**
- 9.4.2. **The corporation should disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report.**
- 9.5. This manual shall be available for inspection by any stockholder of the Corporation at reasonable times on business days.
- 9.6. The Compliance Officer shall provide copies of the Manual to all directors, division and department heads to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 9.7. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Compliance Officer, with a minimum of at least one (1) hard copy of the Manual per department.

## ARTICLE 10: MONITORING AND ASSESSMENT

- 10.1. Each committee shall report regularly to the Board of Directors.
- 10.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual, **the criteria and process to determine the performance of the Board, the individual directors, and committees. This evaluation system should allow for a feedback mechanism from the shareholders.** Any violation thereof shall subject the responsible officer or employee to the penalty provided under Article 10 of this Manual.
- 10.3. **The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment may be supported by an external facilitator.**
- 10.4. 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.



- 10.5. This Manual shall be subject to periodic review by the Board.
- 10.6. All business processes and practices being performed within any department of business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the competent extent.

**ARTICLE 11: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

- 11.1. 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:
  - 11.1.1. In case of first violation, the subject person shall be reprimanded.
  - 11.1.2. Suspension from office shall be imposed in case of a second violation. The duration of the suspension shall depend of the gravity of the violation.
  - 11.1.3. For a third violation, the maximum penalty or removal from office shall be imposed.
- 11.2. The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship, subject to the provisions of the Corporation Code.
- 11.3. 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 by the Board.

Signed:

A handwritten signature in black ink, appearing to read 'Pedro E. Roxas', written over a horizontal line.

**PEDRO E. ROXAS**  
Chairman *du*  
Roxas and Company, Inc.