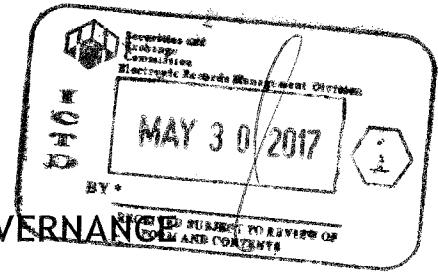


# EEL CORPORATION REVISED MANUAL ON CORPORATE GOVERNANCE

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The Board of Directors and Management of EEI Corporation hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

## 1. OBJECTIVE

This 2017 Revised Manual on Corporate Governance shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and exact compliance therewith within the organization.

## 2. COMPLIANCE SYSTEM

The company shall be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

### 2.1. Plan of Compliance

Compliance with the principles of good corporate governance shall start with the Board of Directors. The Board shall be composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

#### 2.1.1. Board of Directors

In compliance with the law, and in accordance with the By-Laws of the Corporation, the Board shall be composed of at least five (5) but not more than fifteen (15) members duly elected by the stockholders.

The Board shall as a rule have a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

The Board's Nomination committee shall promote board diversity.

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

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

The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders.

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

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

Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of responsibility in the preparation of the financial statements, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- (ii) 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 stakeholders.
- (iii) The corporation should consistently comply with the financial reporting requirements of the Commission.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its corporate objectives, its fiduciary responsibility,

which it shall exercise in the best interest of the Corporation, its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board must have at least two (2) Independent Directors or 20% of its membership, whichever is higher. Independent Directors should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

Non-executive directors possess qualifications and stature that enable them to participate in the deliberations of the Board.

#### 2.1.1.1. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

#### 2.1.1.2. Specific Duties and Functions

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

- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure that the Corporation complies with all relevant laws, regulations and this manual on Corporate Governance;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Install a process of selection to ensure a mix of competent directors and officers;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;

- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation;
- Formulate the corporation's vision, mission, strategic objective, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance;
- 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;
  - a) Appoint competent, professional, honest and highly-motivated management officers;
  - b) The Board shall as much as practicable recommend and put into place an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This may include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation;
  - c) Provide sound strategic policies and guidelines to the corporation on major capital expenditures;
  - d) Establish programs that can sustain long term viability and strength; and
  - e) Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- Identify the Corporation's Stakeholders in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- The Board should have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations;
- It is the Board's role to initiate policies and measures geared towards prevention of abuse and promotion of transparency,

and in compliance with applicable laws and regulations to protect the interest of all shareholders. One such measure is the required ratification by shareholders of material or significant RPTs approved by the Board, in accordance with existing laws. Other measures include ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders.

In general, the content of the RPT Policy shall include:

- Definition of related parties;
- Coverage of RPT policy;
- Guidelines in ensuring arm's-length terms;
- Identification and prevention or management of potential or actual conflicts of interest which arise;
- Adoption of materiality thresholds;
- Internal limits for individual and aggregate exposures;
- Whistle-blowing mechanisms, and
- Restitution of losses and other remedies for abusive RPTs.

The company may set materiality threshold at a level where omission or misstatement of the transaction could pose a significant risk to the company and influence its economic decision;

- Depending on the materiality threshold, approval of management, the RPT Committee, the Board or the shareholders may be required. In cases where the shareholders' approval is required, it is good practice for interested shareholders to abstain and let the disinterested parties or majority of the minority shareholders decide;
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- Establish and maintain an alternative dispute resolutions 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;
- Management should provide members of the Board of Directors with complete, adequate and timely information about the matters to be taken in their meeting;
- Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by members of the Board to enable them to properly perform their duties and responsibilities. Hence,

members should be given independent access to Management and Corporate Secretary;

- Members, either individually or as Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.
- The Board should oversee that an appropriate internal control system is in place, which shall monitor and manage potential conflicts of interest of Management, board members, and shareholders.
- The Board should oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

2.1.1.3. The Board should be headed by a competent and qualified Chairperson.

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

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

#### 2.1.1.4. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- To ensure that business transactions with the Corporation, if any, are fair and that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment;
- The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive);
- It is the responsibility of the Board to appoint a competent management team at all times, and as far as practicable monitor and assess the performance of the management team based on established performance standards that are consistent with the company's strategic objectives, and conduct a regular review of the company's policies with the management team. In the selection process, fit and proper standards are to be applied on key personnel and due consideration is given to integrity, technical expertise and experience in the institution's business, either current or planned;
- The Board may establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and

personnel's performance is at par with the standards set by the Board and Senior Management.

#### 2.1.1.5. Remuneration of Directors and Officers

The Board shall have a remuneration for key officers and board members with the long-term interests of the company. In doing so, it may formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director should participate in discussions or deliberations involving his own remuneration.

The Board shall adopt a Remuneration policy which promotes a sound risk culture in which risk-taking behavior is appropriate. A policy which also encourage employees to act in the long-term interest of the company as a whole, rather than for themselves or their business lines only. This policy may specify the relationship between remuneration and performance, which includes specific financial and non-financial metrics to measure performance and set specific provisions for employees with significant influence on the overall risk profile of the corporation.

Key considerations in determining proper compensation include the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director should participate in deciding on his remuneration; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives so as not to compromise their independence.

#### 2.1.1.6. Fostering Commitment

To show full commitment to the company, the directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

2.1.1.6.1. If able, the directors should attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Securities and Exchange Commission, except when justifiable causes, such as but not limited to, illness, death in the immediate family and serious accidents, conflicting schedule, which prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if



called for, ask the necessary questions or seek clarifications and explanations.

2.1.1.6.2. The unauthorized absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency may be a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

2.1.1.6.3. The Board may consider the adoption of guidelines on the number of directorships that its members can hold in publicly listed corporation, always making sure that the shareholder's legal right to vote and be voted as directors remains inviolable. The number should take into consideration the ability of the director to diligently and efficiently perform his duties and responsibilities and the nature and kind of corporations he may be director of, regardless of the number of directorships he may be holding.

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

#### 2.1.1.7. Reinforcing Board Independence

The board should endeavor to exercise an objective and independent judgment on all corporate affairs.

2.1.1.7.1. The Board should have at least three independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

2.1.1.7.2. The Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

2.1.1.7.3. An Independent Director refers to a person who, ideally:

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

b. Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a

director, officer, employee of the covered company's substantial shareholders and its related companies;

c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;

d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;

e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;

g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;

i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;

j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and

k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

2.1.1.7.3. As a rule, the Independent Directors may serve for a maximum of nine (9) consecutive years, reckoned from 2012, making sure however that the shareholder's legal right to vote and be voted as director remains inviolable. If the Company decides to retain an Independent Director who has served for more than nine (9) consecutive years, the Board should provide meritorious justification and advise the Shareholders of such justifications during the Annual Shareholders Meeting.

2.1.1.7.4. The positions of Chairman of the Board and Chief Executive Officer should be held by separate individuals and each should have clearly defined responsibilities.

2.1.1.7.5. The CEO has the following roles and responsibilities, among others:

a. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;

b. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;

c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;

d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;

e. Directs, evaluates and guides the work of the key officers of the corporation;

f. Manages the corporation's resources prudently and ensures a proper balance of the same;

g. Provides the Board with timely information and interfaces between the Board and the employees;

h. Builds the corporate culture and motivates the employees of the corporation; and

i. Serves as the link between internal operations and external stakeholders.

2.1.1.7.6. The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

This lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest.

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

a. Serves as an intermediary between the Chairman and the other directors when necessary;

b. Convenes and chairs meetings of the non-executive directors; and

c. Contributes to the performance evaluation of the Chairman, as required.

2.1.1.7.7. A director with a material interest in any transaction affecting the corporation shall abstain from taking part in the deliberations for the same.

2.1.1.7.8. If needed, the non-executive directors (NEDs) may set separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director.

#### 2.1.1.8. Board Performance

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

The Board may conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and

committees. If determined to be necessary by the Board, every three years, the assessment may be supported by an external facilitator.

The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders. The Corporate Governance Committee may oversee the evaluation process.

#### 2.1.1.9. Board Ethics

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

2.1.1.9.1. The Board should 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.

2.1.1.8.2. The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

#### 2.1.1.10. Enhancing Company Disclosure Policies

The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

2.1.1.10.1. The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

2.1.1.10.2. The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days.

2.1.1.10.3. The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

2.1.1.10.4. As much as practicable, the company may disclose its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The company may disclose the remuneration on an individual basis, including termination and retirement provisions.

2.1.1.10.5. The company 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 shall be disclosed in its Annual Corporate Governance Report.

2.1.1.10.6. The company should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board may appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

2.1.1.10.7. This Revised Manual on Corporate Governance shall contain the corporate governance policies, programs and procedures of the Company, which shall be submitted to the regulators and posted on the company's website.

## **2.1.2. Board Committees**

Board committees shall be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

### **2.1.2.1. Nomination Committee**

The Board shall have a board Nomination Committee and policy that should as far as practicable include nominations from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the

quality of directors should be aligned with the strategic direction of the company.

The Nomination Committee shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting member in the person of the HR Director/Manager.

The nomination and election shall review and evaluate the qualifications of all persons nominated to the Board, including whether candidates:

(1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile;

(2) have a record of integrity and good repute;

(3) have sufficient time to carry out their responsibilities; and

(4) have the ability to promote a smooth interaction between board members.

The Committee may use the services of a professional search firm or external sources when searching for candidates to the Board.

The Committee shall continue to monitor the qualifications of the directors.

The following may be considered as grounds for the permanent disqualification of a director:

a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:

(a1) involves the purchase or sale of securities, as defined in the Securities Regulation Code;

(a2) 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

(a3) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC,

Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from:

(b1) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;

(b2) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;

(b3) 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:

(a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP;

(b) such person has otherwise been restrained to engage in any activity involving securities and banking; or

(c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

c. Any person convicted by final judgment or order 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;

d. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;

e. Any person judicially declared as insolvent;

f. 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 previously;

g. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and

h. Other grounds as the SEC may provide.

In addition, the following may be grounds for temporary disqualification of a director:

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

b. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

c. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and

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

#### **2.1.2.2. Compensation and Remuneration Committee**

2.1.2.2.1. The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

##### **2.1.2.2.2. Duties and Responsibilities**

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and

other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.

- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.
- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- Review corporate policies on conflict of interest, salaries and benefits, promotion and career advancement, and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

#### **2.1.2.3. Audit Committee**

An Audit Committee shall be established to enhance its oversight capability of the Board over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee should be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

##### **2.1.2.3.1. Duties and Responsibilities**

The Audit Committee has the following duties and responsibilities, among others:

- a. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c. Oversees the Internal Audit Department, and recommends the appointment and/or grounds for removal of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- d. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- e. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- f. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence<sup>3</sup>. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Areas where a significant amount of judgment has been exercised
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

i. Reviews the disposition of the recommendations in the External Auditor's management letter;

j. Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

k. Coordinates, monitors and facilitates compliance with laws, rules and regulations;

l. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and

m. In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees.

As a rule, the Audit Committee meets with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of the internal audit.

#### **2.1.3.4. Corporate Governance Committee**

The Board shall establish a Corporate Governance Committee that should be tasked to assist the Board in the performance of its corporate governance responsibilities. It should be composed of at least three members, all of whom should be independent directors, including the Chairman.

2.1.3.4.1. The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;

b. If practicable, oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

c. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

d. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

f. Proposes and plans relevant trainings for the members of the Board;

#### **2.1.3.5. Risk Management Committee**

The Board shall establish a separate Risk Management Committee that shall be responsible for the oversight of a company's enterprise risk management system to ensure its functionality and effectiveness. The RMC as much possible, should be composed of at least three members, and the majority of whom should be independent directors. If practicable, the Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The RMC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a

confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The RMC has the following duties and responsibilities, among others:

a. Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

b. Oversees the implementation of the enterprise risk management plan through a management Risk Oversight Committee. The RMC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The RMC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;

d. Advises the Board on its risk appetite levels and risk tolerance limits;

e. Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;

f. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;

g. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

h. Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

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

## **2.2 The Corporate Secretary**

The Board shall be assisted in its duties by a Corporate Secretary and a Compliance Officer who is, as much as practicable, a separate officer from the Corporate Secretary. The Corporate Secretary should not be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible for the corporation and its shareholders, and not to the Chairman or President of the Company and has, among others, the following duties and responsibilities:

- a. Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b. Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- c. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e. Advises on the establishment of board committees and their terms of reference;

- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h. Performs required administrative functions;
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the SEC.

### **2.3. Compliance Officer**

The Board may appoint a separate Compliance Officer, who as much as practicable should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. If a separate officer is appointed as a Compliance Officer, the Compliance Officer shall not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Compliance Officer is a member of the company's management team in charge of the compliance function. The Compliance Officer is primarily liable to the corporation and its shareholders, and not to the Chairman or President of the company. He/she has, among others, the following duties and responsibilities:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports violations found to the Board and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;



- e. Appears before the SEC when summoned in relation to compliance with this Code;
- f. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the SEC.

#### **2.4. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY**

The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

2.4.1. The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.

2.4.2. The Audit Committee Charter should include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

2.3.3. The company 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.

2.3.4. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee and the Board.

2.3.5. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

2.3.6. The external auditor of the company shall not at the same time provide the services of an internal auditor. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.3.7. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.3.8. If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

### **3. COMMUNICATION PROCESS**

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

3.2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties that need to have knowledge thereof and to likewise enjoin compliance therewith.

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

### **4. TRAINING PROCESS**

4.1 The Company shall develop and promote a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

4.2 If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

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

5.1. 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;

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

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;

5.3. 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;

5.4. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed pursuant to and in compliance with existing regulations. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

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

5.6. 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.

## **6. SHAREHOLDERS' BENEFIT**

The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

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

It is duly of the Board to promote the rights of 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.

The Board should take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholder's meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should 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.

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

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

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

The Board should ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on the company's website.

#### **6.1.1. Rights of Investors/Minority Interests**

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

#### **6.1.2. Voting Right**

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

6.1.2.2. Cumulative voting shall be allowed in the election of directors.

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

### **6.1.3. Pre-emptive Right**

The Board of Directors and Management recognize that all stockholders have pre-emptive rights, pursuant to the Articles of Incorporation of the Corporation, unless an amendment thereto denying the said pre-emptive rights is adopted and approved in a duly-convened stockholders meeting.

### **6.1.4. Power of Inspection**

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

### **6.1.5. Right to Information**

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

6.1.5.2. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

### **6.1.6. Right to Dividends**

6.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board and to the provisions of Sec. 6.1.6.2.

6.1.6.2. The company shall 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.

#### **6.1.7. Appraisal Right**

The Board of Directors and Management recognize the shareholders' 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:

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

**6.1.8.** The Corporation shall appoint an Investor Relations Officer, who shall be tasked to establish and maintain a program that will keep the stockholders informed of important developments in the corporation. He shall respond to requests for information from stockholders, potential investors, and the general public. He shall arrange the electronic filing and dissemination of shareholder information necessary to make informal decisions subject to legal constraints. The Chief Finance Officer shall preferably be the Investor Relations Officer, or shall at least exercise oversight responsibility over the program.

**6.1.9.** If practicable, the Board should make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

**6.1.10.** The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.

**6.1.11.** The Board should encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the company website within five business days from the end of the meeting.

## **7. MONITORING AND ASSESSMENT**

7.1. Each Committee shall report regularly to the Board of Directors.

7.2. An internal rating system shall be established to measure the performance of the Board and Management in accordance with criteria set by the Securities and Exchange Commission.

7.3. This Manual shall be subject to annual review unless the same frequency is amended by the Board.

7.4. All business processes and practices being performed within any department or business unit of EEI Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded or revised accordingly.

## **8. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

8.1 The Board shall develop a policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. Companies should adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

## **9. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION**

9.1 The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

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

9.3 The company should have a website in accordance with the Commission prescribed template to ensure a comprehensive, cost efficient, transparent and timely manner of disseminating relevant information to the public.

9.4 The company should disclose all relevant information and its corporate governance policies and practices in the Annual Corporate Governance Report, which should be posted and continuously updated on the company website.

## **10. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK**

The company shall develop a strong and effective internal control system and enterprise risk management framework.

### **10.1 Internal Audit**

The Company should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

10.1.1. The following are the functions of the internal audit, among others:

- a. 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;
- b. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;



- f. 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;
- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes.

A company's internal audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

10.1.2. The Company shall have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including the portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.

10.1.3. The CAE, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the CEO. The Audit Committee recommends the appointment and removal of the CAE, his/her remuneration and performance appraisal. The following are the responsibilities of the CAE, among others:

- a. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and

f. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

10.2 The Company should have an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

### 10.3 Risk Management

The company should have a separate risk management function to identify, assess and monitor key risk exposures. The risk management function involves the following activities, among others:

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

10.3.1. In managing the company's Risk Management System, the company should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

The CRO has the following functions, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Risk Management Committee;
- c. Collaborates with the CEO in updating and making recommendations to the Risk Management Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:

Risk management processes are performing as intended;

Risk measures reported are continuously reviewed by risk owners for effectiveness; and

Established risk policies and procedures are being complied with.

- 10.4. There should be clear communication between the Risk Management Committee and the CRO.

## 11. ENCOURAGING EMPLOYEES' PARTICIPATION

A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

- 11.1. The Board shall promote policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.
- 11.2. The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture.
- 11.3. The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to

handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

**12. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

The company shall promote social responsibility in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. Creating shared value with stakeholders should be the ultimate drive of the Company's existence.

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

**13. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

13.1. To strictly observe and implement the provisions of this manual, the corresponding penalties as may be determined by the Board of Directors upon the recommendation of the Compliance Officer shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provisions of this Manual.

**14. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

14.1 This Manual embodies the corporate governance rules espoused and required by the Securities and Exchange Commission. The Company is committed to strict adherence to the principles and practices on good corporate governance.

  
HELEN Y. DEE  
VICE-CHAIRPERSON

  
GEORGE RYAN T. HIPOLITO  
Compliance Officer