

COVER SHEET

C S 2 0 1 4 0 7 0 4 6

S.E.C. Registration Number

A Z A L E A L E I S U R E R E S I D E N C E S

C O R P O R A T I O N D O I N G B U S I N E S S

U N D E R T H E N A M E A N D S T Y L E O F

A Z A L E A V A C A T I O N C L U B

(Company's Full Name)

P G M C B L D G . 7 6 C A L B A Y O G S T .

H I G H W A Y H I L L S M A N D A L U Y O N G C I T Y

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

Atty. Mariel A. Yanogacio

Contact Person/s

(632) 470-2321

Company Telephone

Number

1 2

Month

3 1

Day

Calendar Year

Corporate Governance Manual of Azalea Leisure Residences Corporation

FORM TYPE

0 6

Month

0 1

Day

Annual Meeting

Preferred Shares

Secondary License Type, If Applicable

CGFD

Dept. Requiring this Doc.

Amended Articles Number/Section

10

Total No. of Stockholders

10

Domestic

0

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

CORPORATE GOVERNANCE MANUAL OF
AZALEA LEISURE RESIDENCES CORPORATION

INTRODUCTION

The function of this Corporate Governance Manual is to supplement and complement the Articles and Bylaws of **AZALEA LEISURE RESIDENCES CORPORATION** (the "Corporation") by setting forth principles of good and transparent governance.

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

I. DEFINITION OF TERMS

Board of Directors – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business, and controls its properties

Corporate Governance – a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors and Senior Management accountable for ensuring ethical behavior and compliance with applicable laws, regulations, and the organization's policies and procedures

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

Executive Director – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization

Independent Director – a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director

Internal Control – a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable

laws, regulations, and the organization's policies and procedures

Management – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation.

Non-executive Director – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation

Related Parties - covers the covered entity's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Related Party – shall cover the Corporation's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Corporation exerts direct or indirect control over or that exerts direct or indirect control over the Corporation, the Corporation's directors, officers, shareholders and related interests ("DOSRI"), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Corporation.

Related Party Transactions – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party

Stakeholders – any individual, organization or society at large who can either affect and/or be affected by the Corporation's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the Corporation operates

II. GOVERNANCE RESPONSIBILITIES OF THE BOARD

A. ESTABLISHING A COMPETENT BOARD

1. Composition

The Board of Directors shall be composed of five (5) members who are elected by the stockholders.

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

The membership of the Board shall be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate decision-making process.

The non-executive directors shall possess such qualifications and stature that will enable them to effectively participate in the deliberations of the Board.

2. Chairperson

The Board shall be headed by a competent and qualified Chairperson.

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

- a. Ensures that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Corporation, taking into account 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 conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and,
- f. Ensures that the performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

3. Orientation and Training Policy

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

The orientation program for first-time directors and relevant annual continuing training for all directors aim to promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities.

The orientation program ensures that new members are appropriately apprised of their duties and responsibilities before beginning their directorships and throughout their tenure. The orientation program covers the Securities and Exchange Commission ("SEC")-mandated topics on corporate governance and includes an introduction to the Corporation's business, Articles of Incorporation and Bylaws, and Code of Business Conduct and Ethics.

The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation. The training can be on any matter relevant to the Corporation, which can include training on audit, internal controls, risk management, sustainability, and strategy. For corporate governance trainings, the trainings can be conducted by SEC Accredited Institutional Training Providers.

The orientation program for first-time directors shall be for at least eight (8) hours while the annual continuing training shall be for at least four (4) hours.

4. Board Diversity Policy

The Board may have, at its option, a policy on board diversity.

A board diversity policy is not limited to gender diversity. It also includes diversity in age, ethnicity, culture, skills, competence, and knowledge. On gender diversity policy, a good example is to increase the number of female directors, including female independent directors.

5. Corporate Secretary

The Board shall ensure that it is assisted in its duties by a Corporate Secretary who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Corporate Secretary is primarily responsible to the Corporation and its shareholders, and not to the Chairperson or President of the Corporation and has,

among others, the following duties and responsibilities:

- a. Assists the Board and the Board committees in the conduct of their meetings (i.e., agenda setting, preparation of annual schedule of meetings, and the Board calendar);
- b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board, Board committees and shareholders, as well as other official records of the Corporation;
- c. Keeps abreast of relevant laws, regulations, governance issuances, industry developments and operations of the Corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and shareholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and the shareholders as well as other stakeholders;
- e. Advises on the establishment of Board committees and their terms of reference;
- f. Informs the Board Directors, in accordance with the Bylaws, of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensures that the Directors 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 from doing so;
- h. Performs all required administrative functions;
- i. Oversees the drafting of the Bylaws and their amendments and ensures that they conform with regulatory requirements; and,
- j. Performs such other duties and responsibilities as may be provided by the Board and the SEC.

6. Compliance Officer

The Board shall ensure that it is assisted in its duties by a Compliance Officer who should have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

The Compliance Officer shall be a member of the Corporation's Management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the Corporation and its shareholders, and not to the Chairperson or President of the Corporation. He has, among others, the following duties and responsibilities:

- a. Ensures proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, Articles of Incorporation and Bylaws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the Corporation, its officers and directors with the relevant laws, rules and regulations as well as all governance issuances of the relevant regulatory agencies;
- c. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under the rules and regulations of the SEC;
- e. Appears before the SEC when summoned in relation to compliance with this Manual and other relevant rules and regulations;
- f. Collaborates with the other departments to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible compliance issues and works towards their resolution;
- h. Ensures the attendance of Board Directors and key officers in relevant trainings; and,
- i. Performs such other duties and responsibilities as may be provided by the Board and the SEC.

III. ROLES AND RESPONSIBILITIES OF THE BOARD

1. Fiduciary Duty

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

There are two key elements of the fiduciary duty of Board Directors: the duty of care and the duty of loyalty. The duty of care requires Board Directors to act on a fully informed

basis, in good faith, and with due diligence and care. The duty of loyalty is also of central importance: the Board Directors shall act in the interest of the Corporation and all its shareholders, and not just those of the controlling group or any other stakeholder.

2. Oversight

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

3. Succession Planning

The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure the continuous and consistent growth of the Corporation. This shall include adopting a retirement policy for directors and key officers.

4. Determining Remuneration

The Board shall align the remuneration of Board Directors and key officers with the long-term interests of the Corporation. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no Board Director shall participate in the determination of his own per diem or compensation.

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 shall participate in the determination of his own per diem or compensation; and (3) remuneration pay-out schedules shall 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 independently from any business line being overseen, and their performance measures are based principally on the achievement of their objectives.

5. Nomination and Election

The Board shall have a formal and transparent board nomination and election policy that shall include how it accepts nominations from its shareholders and reviews the qualifications of nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the Corporation.

The nomination and election process also includes the review and evaluation of 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 (“NEDs”), the 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 Directors. The process includes monitoring the qualifications of the directors.

- a. The following are permanently disqualified from being a director:
 - i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person’s conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
 - ii. 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: (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 or as an affiliated person of any of them; (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: (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 Revised Corporation Code of the Philippines, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC 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;
 - iii. 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;

- iv. 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 Revised Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;
 - v. Any person judicially declared as insolvent;
 - vi. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
 - vii. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five (5) years prior to the date of his election or appointment; and,
 - viii. Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.
- b. The following are grounds for the temporary disqualification of a director:
- i. 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 shall apply for purposes of the succeeding election;
 - ii. Dismissal, termination or removal for cause as director of any publicly listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal;
 - iii. 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,

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

6. Selection and Assessment of Management Performance

The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the President or his equivalent, and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive, as may be applicable).

7. Performance Evaluation

The Board shall establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that the Management, including the President or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management.

8. Internal Control System

The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential or actual conflicts of interest of Board Directors, management, and shareholder. The Board has the option to adopt an Internal Audit Charter.

9. Enterprise Risk Management

The Board shall ensure that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units or business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

10. Board Charter

The Board has the option to execute a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the Directors in the performance of their functions and shall be made publicly available.

IV. ESTABLISHING BOARD COMMITTEES

1. Board Committees

The Board may establish Board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The Board committees shall be composed only of Board Directors.

Board committees such as the Audit Committee, Corporate Governance Committee, and Board Risk Oversight Committee may prove necessary to support the Board in the effective performance of its functions. The establishment of the same, or any other committees that the Corporation deems necessary, allows for concentration of focus in specific issues and leads to a better management of the Board's workload. The type of board committees to be established would depend on its size, risk profile, nature and complexity of operations. However, if the committees are not established, the functions of these committees may be carried out by the whole board or by any other committee.

2. The Audit Committee

The Board may establish an Audit Committee to enhance its oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, shall be independent directors. 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 Chairperson of the Audit Committee shall not be the Chairperson of the Board or of any other committees.

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

- a. Recommends the approval of the Internal Audit ("IA") Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;
- b. Through the 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 shall be in place in order to: (a) safeguard the Corporation's resources and ensure their effective utilization, (b) prevent the occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;
- c. Oversees the IA Department, and recommends the appointment and removal of

- the IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services, if applicable;
- 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 shall directly report to the Audit Committee;
 - e. Monitors the 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 identify proper coverage and to 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 and the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with the duties of 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 and Annual Corporate Governance Report, if any;
 - h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - (a) Any change/s in accounting policies and practices;
 - (b) Areas where a significant amount of judgment has been exercised;
 - (c) Significant adjustments resulting from the audit; Going concern assumptions;
 - (d) Compliance with accounting standards; and,
 - (e) Compliance with tax, legal and regulatory requirements;
 - i. Reviews the recommendations in the External Auditor's management letter;
 - j. Performs oversight functions over the Corporation's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;

- 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 SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders;
- m. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions are monitored, and the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- n. In case of the absence of a Related Party Transactions ("RPT") Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied;
- o. In case of the absence of an RPT Committee:
 - i. Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:
 - 1. The related party's relationship to the Corporation 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 undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
 - ii. Ensures that appropriate disclosure is made, and/or information is

provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that can arise as a result of the Corporation's affiliation or transactions with other related parties;

- iii. 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;
 - iv. Ensures that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and,
 - v. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures;
- p. Performs the functions of the Board Risk Oversight Committee, in the absence thereof; and,
- q. Meets internally and with the Board at least once every quarter without the presence of the President or other Management team members, and periodically meets with the head of the Internal Audit.

3. Corporate Governance Committee

The Board may establish a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nomination and Remuneration Committee. It shall be composed of at least three (3) directors, majority of whom shall be independent directors, including the Chairperson.

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 of operations and business strategy, as well as its business and regulatory environments;

- b. Oversees the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;
- c. Ensures that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends the continuing education/training programs for Directors, assignment of tasks/projects to Board committees, succession plan for the Board Directors 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;
- g. Determines the nomination and election process for the Corporation's Directors and defines the general profile of the Board Directors that the Corporation may need, and ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election; and,
- h. Establishes a formal and transparent procedure for determining the remuneration of Directors and officers that is consistent with the Corporation's culture and business strategy as well as the business environment in which it operates.

The establishment of a Corporate Governance Committee does not preclude the Corporation from establishing a separate Remuneration or Nomination Committees, if it deems the same desirable or necessary.

V. FOSTERING COMMITMENT

1. Attendance of Directors in Meetings

The Directors shall 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 SEC, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and committee meetings, the Directors shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is 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.

VI. BOARD INDEPENDENCE

1. Non-executive Directors

The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective and independent judgment on corporate affairs and to carry out proper checks and balances.

The right combination of non-executive directors, which include independent directors, and executive directors, ensures that no director or small group of directors can dominate the decision-making process. Further, a board composed of a majority of non-executive directors assures protection of the Corporation's interest over the interest of the individual shareholders.

2. Independent Directors

The Board shall have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

a. Qualifications and Disqualifications

An Independent Director ("ID") refers to a person who, ideally:

- (i) Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation;
- (ii) Is not, and has not been in the two (2) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered Corporation's substantial shareholders and its related companies;
- (iii) Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairperson "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 two (2) years immediately preceding his election;

- (iv) Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- (v) Is not a relative of a director, officer, or substantial shareholder of the covered Corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- (vi) Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- (vii) 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 shareholder, nominee of the firm to the Philippine Stock Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- (viii) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- (ix) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;
- (x) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- (xi) Is not employed as an executive officer of another company where any of the covered Corporation's executives serve as directors.

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

b. Term

The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation wants to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

5. Chairperson and President

The positions of Chairperson of the Board and President or its equivalent position, shall be held by separate individuals and each shall have clearly defined responsibilities.

The President 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 accordance with 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.

The roles and responsibilities of the Chairperson are provided under II(A)(2) hereof .

6. Adverse Interest of a Director

A director with a material or potential interest in any transaction affecting the Corporation shall fully disclose his adverse interest, abstain from taking part in the deliberations for the same, and recuse from voting on the approval of the transaction.

VII. BOARD PERFORMANCE ASSESSMENT

1. Annual Self-Assessment

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

The Board shall have in place a system that provides, at a minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system shall allow for a feedback mechanism from the shareholders.

VIII. STRENGTHENING BOARD ETHICS

1. Code of Business Conduct and Ethics

The Board may adopt a Code of Business Conduct and Ethics, which will provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of Board Directors. The Code shall be properly disseminated to all the Board Directors. It shall also be disclosed and made available to the public through the Corporation's website, if any.

IX. ENHANCING CORPORATE DISCLOSURE POLICIES AND PROCEDURES

1. Corporate Disclosure Policies

The Board may 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 the Corporation's financial condition, results, and business operations.

The Corporation may likewise have a policy requiring all directors and officers to disclose/report to the Corporation any dealings in the Corporation's shares by the said directors and officers within five (5) business days.

The Corporation's corporate governance policies, programs and procedures shall be contained in its Manual on Corporate Governance, which shall be submitted to the SEC

and posted on the Corporation's website, if any.

The Manual may, at the option of the Corporation, contain the following, among others:

- a) A policy on the training of Directors, including an orientation program for first-time directors and relevant annual continuing training for all Directors;
- b) Policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same;
- c) Policies governing related party transactions and other unusual or infrequently occurring transactions, as well as the review and approval of material and significant related party transactions, geared towards the prevention of abusive dealings and transactions and the promotion of transparency. These policies include ensuring that transactions occur at market prices and under conditions that protect the rights of all shareholders;
- d) Policies on full, fair, accurate and timely disclosure to the public of every material fact or event that occurs in the Corporation, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders, which includes policy on the appointment an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;
- e) Alternative dispute mechanism(s) to resolve intra-corporate disputes in an amicable and effective manner;
- f) Policies on formal and transparent board nomination and election policy;
- g) Basic shareholder rights; and
- h) Qualifications and grounds for disqualification of Directors.

2. Annual Corporate Governance Report

The Corporation may choose to disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report ("ACGR"), which shall be submitted to the SEC, and continuously updated and posted on the Corporation's website, if any.

The ACGR may contain the following disclosures, among others:

- a) A policy on disclosure of all relevant and material information on individual

- Board Directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest that might affect their judgment as prescribed under Rule 12 Annex C of the SRC;
- b) Board and executive remuneration, as well as the level and mix of the same;
 - c) Accurate disclosure to the public of every material fact or event that occurs in the Corporation, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders, which includes policy on the appointment of an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;
 - d) The non-audit work, if any, of the External Auditor, and 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;
 - e) The attendance record of the Corporation's Directors for the previous year; and,
 - f) Other information that the SEC or other regulatory agencies, may, from time to time, require disclosure of.

X. EXTERNAL AUDITOR INDEPENDENCE AND AUDIT QUALITY

1. External Auditor

The Audit Committee shall 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 shall be recommended by the Audit Committee and approved by the Board of Directors and the shareholders. For the removal or change in the external auditor, the reasons for removal or change should be disclosed to the SEC, the shareholders, and the public through the Corporation website, if any, and other required disclosures.

The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflict of interest cases. The Audit Committee shall 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.

XI. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

1. Disclosure of Non-financial information

The Corporation shall have a clear and focused strategy on the disclosure of non-financial information. It shall disclose to all shareholders and other stakeholders the Corporation's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of environmental, economic, social and governance ("EESG") issues of its business which underpin sustainability.

XII. COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

1. Corporate Website

The Corporation may, at the discretion of the Board, choose to have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.

XIII. STRENGTHENING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

1. Internal Control System

The Corporation may opt to have an adequate and effective internal control system and an Enterprise Risk Management framework in the conduct of its business, taking into account its size, risk profile, nature and complexity of operations.

2. Independent Internal Audit

The Corporation, at the Board's sole discretion or through the Audit Committee, may put in place an independent internal audit system that provides an independent and objective assurance and consulting services designed to add value and improve the Corporation's operations.

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 Corporation's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the Corporation;
- 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 Corporation;
- 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.

The Corporation'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.

XIV. PROMOTING SHAREHOLDER RIGHTS

1. Common Shareholder's Rights

Except as may be limited by the Articles of Incorporation and the Bylaws, common shareholders shall have the following rights, among others:

- a. Right to participate in the approval of material corporate acts;
- b. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
- c. Right to nominate candidates to the Board of Directors;
- d. Right to be informed of the nomination and removal process; and,

- e. Right to be informed of the voting procedures that will govern the Annual and Special Shareholders' Meeting.
- f. Moreover, shareholders have the following additional rights:
 - i. Pre-emptive right;
 - ii. Right to dividends; and
 - iii. Appraisal right.

2. Result of Annual Stockholders' Meeting

The result of the votes on matters taken during the most recent Annual or Special Shareholders' Meeting shall be reported to the SEC thru SEC Form 17-A. In addition, the Minutes of the Annual and Special Shareholders' Meeting may be made available upon written request to the common shareholder.

The minutes of the meeting may include the following matters: (1) a description of the voting and vote tabulation procedures used; (2) the opportunity given to shareholders to ask questions, as well as a record of the questions asked and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the directors, officers and shareholders who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

3. Alternative Dispute Mechanism

The Board may make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

4. Investor/Customer Relations Office

The Board may establish an Investor Relations Office ("IRO") or Customer Relations Office ("CRO") or its equivalent to ensure constant engagement and communication with its shareholders. The IRO or CRO or its equivalent shall be present at every shareholders' meeting.

XV. DUTIES TO STAKEHOLDERS

The Corporation's stakeholders include its customers, resource providers, creditors and the community in which it operates. Fair, professional and objective dealings as well as clear, timely and regular communication with the various stakeholders ensure fair treatment and better protection of their rights.

Included in the stakeholders are the holders of non-proprietary right. These holders

have no participation in the management of the affairs and assets of the Corporation, but they have rights over the use and enjoyment of the property of the Corporation subject to the agreed terms and conditions. As such, non-proprietary right holders enjoy contractual rights which must be respected and upheld by the Board and the Management.

Non-proprietary right holders enjoy the following rights:

- a) Rights over the use and enjoyment of the corporate property subject to terms and conditions as may be provided in the Articles of Incorporation, Bylaws and membership certificates;
- b) The right to be informed of any material transaction or undertaking by the Corporation, which may substantially affect the use and enjoyment of the corporate property over which the member holds non-proprietary rights; and,
- c) The right to seek redress for any violation of the aforementioned rights.

XVI. SUSTAINABILITY AND SOCIAL RESPONSIBILITY

1. Interdependence with Society

The Corporation recognizes and places much importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the Corporation to grow its business while contributing to the advancement of the society where it operates.

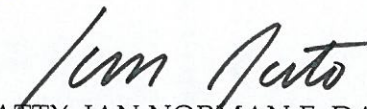
The Corporation's value chain consists of inputs to the production process, the production process itself and the resulting output. Sustainable development means that the Corporation not only complies with existing regulations, but also voluntarily employs value chain processes which take into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the Corporation plays an indispensable role alongside the government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

XVII. EFFECTIVITY

This Corporate Governance Manual shall become effective upon approval by the SEC of the amendments to the Corporation's Bylaws which incorporates the changes introduced in this Manual, pursuant to SEC Memorandum Circular No. 24, Series of 2019. The Corporation shall have sufficient time to implement the amendments in the Bylaws that give effect and meaning to the provisions of this Manual.

Signed this 28th day of September, 2020 at Mandaluyong City.


LONY R. CAPELLAN
Chairman of the Board


ATTY. IAN NORMAN E. DATO
Compliance Officer