

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

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**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

V	I	C	S	A	L		B	U	I	L	D	I	N	G	,		C	O	R	N	E	R		O	F		C	.	D	
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Form Type

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Department requiring the report

M	S	R	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

<p>Company's Email Address</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>corporateaffairs@metroretail.com.ph</b> </div>	<p>Company's Telephone Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>(032) 236-8390</b> </div>	<p>Mobile Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>N/A</b> </div>
<p>No. of Stockholders</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>21</b> </div>	<p>Annual Meeting (Month / Day)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>First Friday of May</b> </div>	<p>Fiscal Year (Month / Day)</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>12/31</b> </div>

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

<p>Name of Contact Person</p> <div style="border: 1px solid black; padding: 5px;"> <b>Atty. Vincent E. Tomaneng</b> </div>	<p>Email Address</p> <div style="border: 1px solid black; padding: 5px;"> <b>vince.tomaneng@metroretail.com.ph</b> </div>	<p>Telephone Number/s</p> <div style="border: 1px solid black; padding: 5px;"> <b>(032) 236-8390</b> </div>	<p>Mobile Number</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>N/A</b> </div>
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**CONTACT PERSON'S ADDRESS**

**Vicsal Bldg., Corner of C.D.Seno & W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu**

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.  
 2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**METRO RETAIL STORES GROUP, INC.**  
**THIRD AMENDED**  
**MANUAL ON CORPORATE GOVERNANCE**  
To Comply with SEC Memorandum Circular No. 24, Series of 2019

The Board of Directors (the "Board") of **Metro Retail Stores Group, Inc.** (the "Corporation"), working closely with the Corporation's Officers and Managers, hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (the "Manual"), and acknowledge that the same will guide and contribute to the attainment of the Corporation's goals and aspirations.

**I**  
**OBJECTIVE**

This Manual shall institutionalize the principles of good corporate governance (i.e., fairness, accountability, and transparency) in the entire organization. The Board believes that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

**II**  
**DEFINITION OF TERMS**

**Corporate Governance** – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal, and social obligations toward their **shareholders and** stakeholders.

Corporate governance is a system of direction, feedback, and control using regulations, performance standards, and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with shareholder value to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders, and the nation;

**Board/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;

**Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/ or commodities;

**Management** – 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;

**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;

**Executive Director – a director who has executive responsibility of day-to-day operations of a part or the whole of the Corporation;** (As amended on June 9, 2020)

**Non-executive Director –a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the Corporation;** (As amended on June 9, 2020)

**Non-audit Work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;

**Internal Control** – the process designed and effected by the Board of Directors and Management, to provide reasonable assurance on the achievement of the Corporation's objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations and the Corporation's policies and procedures;

**Internal Control System** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed;

**Internal Audit** – an independent and objective assurance activity designed to add value to and improve the Corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;

**Internal Audit Department** – a department or unit of the Corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the Corporation's operations;

**Internal Auditor** – the highest position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results;

**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 the Corporation's objectives.

**Public Company - a company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more shareholders holding at least one hundred (100) shares each of equity securities;** (As amended on June 9, 2020)

**Registered Issuer** - a company that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) issues equity securities to the public that are not listed in an Exchange; or (3) issues debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange; (As amended on June 9, 2020)

**Related parties** - covers the Corporation'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 Corporation. It also covers the Corporation'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; (As amended on June 9, 2020)

**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 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 community in which it operates. (As amended on June 9, 2020)

**SEC or Commission** – refers to the Securities and Exchange Commission

**Substantial Stockholder/Shareholder** – means direct or indirect ownership of more than 10% of the outstanding capital stock of a corporate entity.

### III INTERPRETATION

All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.

All doubts or questions in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the shareholders and stakeholders of the Corporation. (As amended on June 9, 2020)

### IV BOARD OF DIRECTORS

#### A. COMPOSITION OF THE BOARD

- 1) The Corporation should be headed by a competent and working Board to foster the long-term success of the Corporation, and to sustain its competitiveness, **growth** and

profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and stakeholders.

- 2) In the election of the members of its Board of Directors, the Corporation should be guided by the following standards:
  - a) The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry. 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.
  - b) The Board should be composed of 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.
  - c) First time directors are required to attend an orientation program to be provided by a training provider duly accredited by the Commission and all directors are required to attend an annual continuing training to be provided by such accredited training provider. The courses for the orientation program and continuing training shall comply with the applicable SEC rules and regulations.
  - d) Board diversity shall be a consideration in the nomination and election of the members of the Corporation's Board of Directors.
- 3) The Board shall be headed by a competent and qualified Chairperson.

## **B. GENERAL RESPONSIBILITIES**

The Board is primarily responsible for the governance of the Corporation. Thus, compliance with the principles of good corporate governance and this Manual shall start with the Board.

It shall be the Board's responsibility to foster the long-term success of the Corporation and to secure its sustained competitiveness in a manner consistent with its fiduciary responsibility and corporate objectives, which it shall exercise in the best interest of the Corporation, its shareholders and stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to independently and effectively monitor and check Management's performance.



### C. DUTIES AND FUNCTIONS

To insure a high standard of best practices for the Corporation, its shareholders and stakeholders, the Board, in close coordination with the Corporation's Officers and Managers, shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- 1) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for directors and Management to ensure growth and a continued increase in the shareholders' value. The succession plan shall include, as far as practicable, a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation.

- 2) Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Approve and oversee the development of the Corporation's business objectives, strategies, and programs in order to sustain the Corporation's long-term viability and strength.

Periodically evaluate and monitor the implementation of such policies, strategies, and programs, including the business plans, operating budgets and Management's overall performance.

- 3) Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- 4) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. For this purpose, the Corporation's Chief Financial Officer shall exercise oversight responsibility over this program.
- 5) Identify the Corporation's stakeholders and the sectors 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.
- 6) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.
- 7) Approve the selection and assess the performance of Management led by the Key Officers.

The Board shall establish an effective performance management framework that will ensure that the Management, and the personnel's performance are at par with the standards set by the Board and Senior Management.

- 8) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- 9) Formulate and implement policies and procedures that would ensure the integrity and transparency of Related Party Transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.
- 10) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- 11) Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its shareholders, and the Corporation and third parties, including the regulatory authorities.
- 12) Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded.

Independent views during Board meetings should be encouraged and given due consideration.

- 13) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws, and in accordance with existing laws, rules and regulations.
- 14) Appoint a Compliance Officer. The Compliance Officer need not have the rank of Senior Vice-President or an equivalent position, but he/she must be able to faithfully comply with his/her duties and responsibilities.
- 15) Implement a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess, and manage key business risks. In this connection, the Board shall be responsible for defining the Corporation's level of risk tolerance and provide oversight over its risk management policies and procedures.
- 16) Approve and implement a Board Charter that formalizes and clearly states its roles, responsibilities, and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the Corporation's website.
- 17) Approve and implement a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behaviour, as well as articulate acceptable and unacceptable conduct and practices in internal and external

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dealings. The Code should include an anti-corruption policy and program. The Code should be properly disseminated to the Board, Management and employees. It should also be disclosed and made available to the public through the Corporation's website.

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code and other internal policies.

- 18) The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and stakeholders, that gives a fair and complete picture of the Corporation's financial condition, results and business operations.

The disclosure policy shall include disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability. The Corporation shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

- 19) The Board should approve and implement a policy on alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.
- 20) The Board should establish a whistle blowing policy 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.
- 21) As far as practicable, the non-executive directors should have 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.

#### **D. SPECIFIC DUTIES AND REPONSIBILITIES OF A DIRECTOR**

A director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

A director shall have the following duties and responsibilities:

- 1) Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an



actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.

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

A director who has a continuing material conflict of interest should seriously consider resigning from his position.

- 2) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

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

- 3) Act judiciously, on a fully informed basis, in good faith, and with due diligence and care, and in the best interest of the Corporation and all shareholders.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification. In all its decisions regarding the Corporation, the Board shall always keep in mind its duty of care and loyalty to Corporation, which requires that the Board Members should act in the interest of the Corporation and its shareholders, and not those of the controlling company, or any stakeholder.

- 4) Exercise independent judgment.

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

- 5) Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.

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

- 6) Observe confidentiality.

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not re-

veal confidential information to unauthorized persons without the authority of the Board.

#### **E. INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD**

The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, the Board members, and shareholders.

The control environment of the Corporation shall consist of the following:

- 1) The Board which ensures that the Corporation is properly and effectively managed and supervised.
- 2) A Management that actively manages and operates the Corporation in a sound and prudent manner.
- 3) The organizational and procedural controls which are duly supported by effective management information and risk management reporting systems.
- 4) An independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The minimum internal control mechanisms for the performance of the Board's oversight responsibility shall include:

- 1) Definition of the duties and responsibilities of the Chairman/Chief Executive Officer ("CEO") and President/Chief Operating Officer ("COO") who are ultimately accountable for the Corporation's organizational and operational controls.
- 2) Selection of the persons who possess the ability, integrity and expertise essential for the positions of Chairman/CEO and President/COO.
- 3) Evaluation of proposed senior management appointments.
- 4) Selection and appointment of qualified and competent management officers.
- 5) Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- 6) Approval the Corporation's Internal Audit Charter.



## F. QUALIFICATIONS OF BOARD OF DIRECTORS

The Board shall have seven (7) members composed of five (5) regular directors and two (2) independent directors. A majority of the Board shall be composed of non-executive directors.

### GENERAL

#### 1) Qualifications

A director shall have the following qualifications:

- a) He must be a holder of at least one (1) share of stock of the Corporation registered under his name;
- b) He must be a college graduate or holds an equivalent academic degree;
- c) He must have been engaged in or exposed to the business of the Corporation for at least five (5) years;
- d) He must be diligent, hardworking, and a person of proven integrity/probity.

#### 2) Disqualifications

No person shall be qualified or be eligible for nomination or election to the Board if:

- a) He is engaged in any business or activity which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged in any business or activity which competes with or is antagonistic to that of the Corporation –
  - i. If he is a director, officer, manager or controlling person of, or the owner (either of record or beneficially) of 2% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business or activity which the Board, by at least a majority vote, determines to be competitive or antagonistic to that of the Corporation; or
  - ii. If he is a director, officer, manager or controlling person of, or the owner (either of record or beneficially) of 2% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business or activity of the Corporation, when in the judgment of the Board, by at least a majority vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or



- iii. If the Board, in the exercise of its judgment in good faith, determined by at least a majority vote that he is the nominee of any person set forth in (i) and (ii) directly above.

In determining whether, or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relationships.

- b) He has any of the disqualifications provided under relevant laws including but not limited to the Code of Corporate Governance for Public Companies and Registered Issuers of the SEC, or any amendments thereto, such as:

i. Permanent Disqualification

- (a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) 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 (iii) 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 Commission, the Bangko Sentral ng Pilipinas ("BSP") or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) 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; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

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

- (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 Commission, 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 Commission 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 for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (e) above;
- (g) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code and Securities Regulation Code committed within five (5) years prior to the date of his election or appointment;
- (h) Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code, Securities Regulation Code, and other related laws.

(As amended on June 9, 2020)

ii. Temporary Disqualification

- (a) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing



Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

- (b) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- (c) 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.**
- (d) **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;**
- (e) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

(As amended on June 9, 2020)

#### INDEPENDENT DIRECTORS

At least two (2) of the seven (7) directors shall be independent directors. The Independent Directors shall be nominated by the Nomination and Compensation Committee. Independent Directors should possess all of the qualifications and none of the disqualifications specified below:

1) Qualifications

An independent director is a person who:

- a) Is not a director, senior officer, employee, or substantial **shareholder** of the Corporation or of its related companies or any of its substantial

shareholders (other than as an independent director of any of the foregoing);

- b) Is not a relative of any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- c) Is not acting as a nominee or representative of a substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders;
- d) Has not been employed in any executive capacity by the Corporation, any of its related companies or any of its substantial shareholders within the last three (3) years;
- e) Has not been appointed in the Corporation, 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 (3) years immediately preceding his election.
- f) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel by the Corporation, any of its related companies or any of its substantial shareholders within the last three (3) years;
- g) Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's-length and are immaterial or insignificant.
- h) 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 (except an independent director who will not be disqualified to become an independent director of the Corporation), officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer. (As amended on November 12, 2019)
- i) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders.



j) Is not employed as an executive officer of another company where any of the Corporation's executives serves as directors.

k) **Is not an owner of more than two percent (2%) of the outstanding capital stock of the Corporation, its subsidiaries, associates, affiliates or related companies.**

(As amended on June 9, 2020)

2) Additional Grounds for Disqualification of an Independent Director

Aside from the grounds for disqualification of a director, an Independent Director shall also be disqualified during his tenure under any of the following instances or causes:

- a) He becomes an officer or employee of the Corporation where he is such member of the Board;
- b) His beneficial security ownership in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of the outstanding capital stock of the Corporation where he is such director. The disqualification from being elected as an independent director is lifted if the limit is later complied with.

3) Election of Independent Directors

Except as those required under the Securities Regulation Code and subject to pertinent existing laws, rules and regulations of SEC, the conduct of the election of independent directors shall be made in accordance with the standard election procedures for regular directors as provided in the By-laws of the Corporation. It shall be the responsibility of the Chairman to inform all stockholders in attendance of the mandatory requirement of electing independent directors.

Specific slots for independent directors shall not be filled-up by unqualified nominees. In case of failure of election for independent directors, the Chairman shall call a separate election during the same meeting to fill up the vacancy.

4) Term and Cessation of Independent Directorship

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



In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with SEC within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; upon the nomination of the Nomination and Compensation Committee. Otherwise, said vacancies shall be filled by the shareholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

#### G. BOARD MEETINGS AND QUORUM REQUIREMENT

The members of the Board should attend and actively participate in the regular and special meetings of the Board in person or through videoconferencing and teleconferencing conducted in accordance with the rules and regulations of the SEC and the By-laws.

Independent directors should always attend Board meetings. To promote transparency, the presence of at least one independent director shall be required in all its meetings.

#### H. BOARD SEATS

The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies. (As amended on June 9, 2020)

A director should notify the Board where he is an incumbent director before accepting a directorship in another company.

#### I. REMUNERATION OF DIRECTORS AND OFFICERS

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Corporation shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers, which shall be prepared by the Nomination and Compensation Committee. No director should participate in deciding on his remuneration.

#### J. ASSESSMENT OF BOARD PERFORMANCE

- 1) The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. The assessment may be supported by an external facilitator. (As amended on June 9, 2020)

- 2) Upon recommendation of the Corporate Governance Committee, the Board shall prescribe the criteria and process to determine the performance of the Board, the individual directors, committees, and provide for a feedback mechanism from the shareholders.

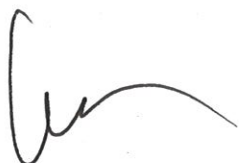
V  
BOARD COMMITTEES

The Board shall constitute the following committees, to focus on specific board functions and to aid in the optimal performance of its roles and responsibilities:

A. **AUDIT AND RISK COMMITTEE**

- 1) The Audit and Risk Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective, and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting and monitoring compliance with laws, regulations, and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.
- 2) The Audit and Risk Committee shall be responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness.
- 3) The Audit and Risk Committee shall consist of at least three (3) non-executive directors, who shall preferably have accounting and finance backgrounds, majority of whom shall be independent directors. The chair of the Audit and Risk Committee should be an independent director, **and should not be the Chairperson of the Board or any other committees.** At least one member of the committee must have relevant thorough knowledge and experience on risk management. (As amended on June 9, 2020)
- 4) The Audit and Risk Committee shall have the following functions:
  - (a) Audit Functions
    - a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
    - b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities.


- c. Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- d. Recommends the approval and oversees the implementation of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit, and reviews and approves the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- e. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- f. Organize and oversee the Internal Audit Department, and recommends the appointment and/or grounds for approval of an Internal Audit Head, as well as approve the terms and conditions for internal audit services, if necessary.
- g. Through the Internal Audit Department, monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security, as well as the integrity of financial reporting, and security of physical and information assets.
- h. Review the reports submitted by the Internal Auditor and monitors Management's responsiveness to the Internal Auditor's findings and recommendations.
- i. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit and Risk Committee. The Audit and Risk Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
- j. 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.
- k. Reviews the recommendations in the external auditor's management letter;
- l. Coordinate, monitor and facilitate compliance with laws, rules and regulations.



- m. 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 shareholders. For this purpose, the Audit and Risk Committee should establish the procedure 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 and Risk Committee, approved by the Board, and ratified by the shareholders.
- n. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Audit and Risk Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Corporate Governance Report. (As amended on June 9, 2020)
- o. As far as practicable, the Audit and Risk Committee shall endeavour to meet 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.

(b) Risk Oversight Functions

- a. Assess the probability of each risk becoming a reality and shall estimate its possible effect and cost.
- b. Define the strategies for managing and controlling the major risks. Identify practical strategies to reduce the chance of harm and failure, or minimize losses if the risk becomes real.
- c. Oversee the implementation of the risk management strategies and policies.
- d. Develop a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures.
- e. Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Committee conducts regular discussion on the Corporation'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.

- f. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant development that seriously impact the likelihood of harm or loss.
- g. Advise the Board on its risk appetite levels and risk tolerance limits.
- h. Review at least annually the Corporation'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 Corporation.
- i. Assess 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.
- j. 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.
- k. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.

(c) Related Party Transactions Functions

- a. 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 subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, Related Party Transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators;
- b. Evaluates all material Related Party Transactions 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 mis-



applied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating Related Party Transactions, the Committee takes into account, among others, the following:

- i. The Related Party's relationship to the Corporation and interest in the transaction;
  - ii. The material facts of the proposed Related Party Transaction, including the proposed aggregate value of such transaction;
  - iii. The benefits to the Corporation of the proposed Related Party Transaction;
  - iv. The availability of other sources of comparable products or services; and
  - v. An assessment of whether the proposed Related Party Transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Committee shall ensure that the Corporation has an effective price discovery system in place and exercise due diligence in determining a fair price for Related Party Transactions.
- c. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's Related Party Transactions exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties.
  - d. 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.
  - e. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.
  - f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting Related Party Transactions, including a periodic review of Related Party Transactions policies and procedures.

## B. NOMINATION AND COMPENSATION COMMITTEE

- 1) The Board shall create a Nomination and Compensation Committee which shall have at least three (3) members and one (1) of whom must be an independent director, to review and evaluate the qualifications of all individuals nominated to the Board and



other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

- 2) At least, thirty calendar (30) days before the Annual Stockholders' Meeting, the Nomination and Compensation Committee shall accept, pre-screen, and shortlist all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications of a director. In the evaluation of the nominees, the Committee shall consider whether the candidates:
  - a) 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 Corporation's business and risk profile.
  - b) Have a record of integrity and good repute.
  - c) Have sufficient time to carry out their responsibilities.
  - d) Have the ability to promote a smooth interaction between board members.

The Nomination and Compensation Committee may engage the services of professional search firms or other external sources when searching for candidates to the Board.

- 3) The Nomination and Compensation Committee shall 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.
- 4) The Nomination and Compensation Committee shall recommend a succession plan for board members and senior officers and establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates, and which shall be commensurate to corporate and individual performance. The remuneration policy should be aligned with the long-term interest of the Corporation and should specify the relationship between remuneration and performance.
- 5) The Nomination and Compensation Committee shall develop and implement policies and procedures for setting Board and executive remuneration, as well as the level and mix of the same.
- 6) The Nomination and Compensation Committee shall advise the Board regarding policies concerning the organizational development and human capital of the Corporation. It shall also monitor the implementation of such policies in coordination with the Chairman/CEO, President/COO and Head of Human Resource. (As amended on November 12, 2019)
- 7) The Nomination and Compensation Committee shall assist the Chairman/CEO and President/COO in the hiring, and annual performance appraisal, of the Head of Human Resource. (As amended on November 12, 2019)



### C. CORPORATE GOVERNANCE COMMITTEE

- 1) The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.
- 2) The Corporate Governance Committee shall consist of at least three (3) directors, one (1) of whom shall be an independent director.
- 3) The Corporate Governance Committee shall have the following functions, among others that may be delegated by the Board:
  - 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) Oversees the periodic performance evaluation of the Board and its committees as well as 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 and/or relevant training programs for directors.
  - e) Develop, review and recommend to the Board a set of corporate governance policies and guidelines applicable to the Corporation, including the amendments or revisions to this Manual, and ensures that these are reviewed and updated regularly.
  - f) Responsible for overseeing the Corporation's implementation and effectiveness of its corporate governance, including the annual accomplishment of the scorecard on the scope, nature and extent of the actions undertaken by the Corporation to meet the objectives of this Manual.
  - g) To maintain an informed status on issues related to the Corporation's corporate social responsibility, public policy and philanthropy, and those affecting the name, reputation and goodwill of the Corporation.

### D. INVESTMENT COMMITTEE

The Investment Committee shall consist of at least three (3) directors, one (1) of whom shall be an independent director. The Committee shall have the following functions, among others that may be delegated by the Board:





- 1) Establish, review and recommend to the Board the policies and strategies to be adopted by the Corporation regarding the investment activities and portfolios necessary to achieve its goals and objectives.
- 2) Evaluate and enhance the Corporation's investment processes.
- 3) Recommend the hiring and termination of investment managers.

Under the Investment Committee are the following three (3) sub-committees to assist the Investment Committee in considering major investments and/or capital expenditures over ₱200 Million per investment or project:

1. Network Expansion Sub-Committee – to handle site selections, developing new store formats, standardization of store constructions, and other related projects/activities;
2. Mergers and Acquisitions Sub-Committee – to explore and recommend possible mergers and acquisitions; and
3. Backroom Support Sub-Committee – to handle Information Technology, logistics, maintenance, and other support-related services.

(As amended on June 9, 2020)

## VI THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

If the need arises, the roles of the Chairman and CEO may be separate in order to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and CEO upon their election.

If the positions of Chairman and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

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

- a) Ensure that the meetings of the Board are held in accordance with the By-Laws of the Corporation. The Chairman shall foster an environment conducive for constructive debate and leveraging on the skills and expertise of the individual directors, during each meeting of the Board.
- b) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors.

In the preparation of the agenda, the Chairman must ensure that the 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.

The Chairman shall ensure that the Board members receive accurate, timely, relevant, insightful, concise, and clear information regarding the agenda items to enable the Board to make sound decisions.

- c) Maintain qualitative and timely lines of communication and information between the Board and Management. The Chairman shall ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
- d) The Chairman shall make sure that the performance of the Board is evaluated at least once a year and discussed/followed up on.

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

- a) Be responsible for the general management, direction and control of the Corporation, in consultation with the Board, except for any matters requiring the approval of the stockholders and/or the Board in accordance with the Articles of Incorporation, By-Laws or relevant law;
- b) Submit reports on the operation of the Corporation to the Board of Directors and an annual report to the Stockholders at the annual meeting;
- c) Submit to the Board of Directors such statements, reports, memoranda and accounts as the latter may require, and prepare such statements and reports as may be required from time to time by law;
- d) Coordinate, direct and implement matters related to Government relations; shareholder relations; community relations; and must be consulted before the release of media disclosures;
- e) To initiate and develop corporate objectives and policies and formulate long range projects, plans, and programs for the approval of the Board of Directors, including those for executive training, development and compensation;
- f) Monitor the status of the projects, programs and plans of the Board of Directors as implemented by the President/COO;
- g) Receive feedback from the President/COO and all Department Heads on the status of projects, programs, and plans including execution of projects and general operations of company systems;
- h) Observe the preparation of the budgets, strategies, and the statements of accounts of the Corporation;
- i) Ensure that the strategic, administrative and operational policies of the Corporation are carried out under his supervision and control;
- j) See to it that the orders and resolutions of the Board of Directors are faithfully carried out;

- k) Sign and execute for and in behalf of the Corporation, contracts and agreements of which the Corporation is a party; and
- l) Exercise such other powers, and perform such other duties as the Board of Directors may, from time to time, fix or delegate.

If the positions of Chairman and CEO are not separate and matters for resolution of the Board involve the accountability of Management and there is a perceived conflict of interest in relation thereto, the Chairman shall appoint a lead director from among the independent directors to temporarily preside in the meeting to ensure the independence of the Board. The functions of the lead director shall include, among others, the following:

- a) Serves as an intermediary between the Chairman and the other directors when necessary.
- b) Convenes and chairs meeting of the non-executive directors.
- c) Contributes to the performance evaluation of the Chairman, as required.

## VII THE PRESIDENT AND CHIEF OPERATING OFFICER

The President, who shall be the Chief Operating Officer (COO) of the Corporation, must be a member of the Board of Directors of the Corporation. The President/COO shall exercise the following functions:

- 1) Be Responsible for the administration and direction of the day-to-day ordinary business affairs of the Corporation;
- 2) Report directly to the Chairman/CEO in all matters regarding the day-to-day management and operations of the Corporation;
- 3) Have direct and active management of the business and operations of the Corporation, conducting the same according to the orders, resolutions and instructions of the Chairman/CEO and the Board of Directors and according to his own discretion whenever and wherever the same is not expressly limited by such orders, resolutions, and instructions, and exercise general supervision over all the other officers of the Corporation;
- 4) Sign the certificates of stock of the Corporation;
- 5) Spearheads the execution and implementation of the budgets and strategies of the Corporation;
- 6) Subject to the guidelines prescribed By-Laws and the Board of Directors, to appoint, and at his discretion remove/terminate or suspend, any or all of the agents, employees and other subordinate personnel of the Corporation, prescribe their duties and fix or change from time to time their respective salaries or wages, and require certain guar-



antees or bonds, in such amounts as he may determine, to secure the faithful discharge by certain employees or agents of their official trust and functions, and to exercise general superintendence/oversight and directions over all the agents, employees and other subordinate personnel of the Corporation, and see to it that their respective duties are properly performed;

- 7) To prepare such statements and reports of the Corporation as may be required of him by law;
- 8) Sign and execute for and in behalf of the Corporation, contracts and agreements of which the Corporation is a party subject to the approval limits as may be authorized by the Board of Directors or as may be delegated by the Chairman/CEO;
- 9) Prepare and submit to the Chairman/CEO such statements, reports, memoranda and accounts as the latter may require;
- 10) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors; and
- 11) The President/COO may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s), subject always to his supervision and control.

### VIII THE CORPORATE SECRETARY

- 1) The Board shall be assisted in its duties by a Corporate Secretary, who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board of Directors.
- 2) The Corporate Secretary shall attend the annual training provided by an SEC accredited training provider.
- 3) The Corporate Secretary, who shall be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. He shall –
  - a) Assist 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) Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) working days in advance and ensure

that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

- c) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so.
- d) Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- e) Advises on the establishment of board committees and their terms of reference.
- f) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation.
- g) Be loyal to the mission, vision and objectives of the Corporation.
- h) Work fairly and objectively with the Board, Management, stockholders and stakeholders, 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.
- i) Have appropriate administrative and interpersonal skills.
- j) Keep abreast on relevant laws, regulations, all government issuances, relevant industry developments and operations of the Corporation, and advises the Board and the Chairman on all relevant issues as they arise.
- k) Have a working knowledge of the operations of the Corporation.
- l) Oversees the drafting and/or amendments to the Corporation's By-Laws and ensures that they conform with regulatory requirements.
- m) Performs such other duties and responsibilities as may be provided by the SEC or delegated by the Board.

## IX THE COMPLIANCE OFFICER

- 1) To ensure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer, who shall be a member of the Corporation's management team in charge of the compliance function. The Compliance Officer shall report directly to the Chairman of the Board/Chief Executive Officer, however, the Compliance Officer is primarily liable to the Corporation and its shareholders.
- 2) He shall perform the following duties:



- a) Ensure the proper orientation of new directors of the Corporation.
- b) Monitors, reviews, evaluates and ensures compliance by the Corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.
- c) Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action.
- d) Ensure the integrity and accuracy of all documentary submissions to regulators.
- e) Appear before the SEC when summoned in relation to compliance with the Code of Corporate Governance and **other relevant rules and regulations.**
- f) Identify, monitor, and control compliance risks and work towards the resolution of the same.
- g) Ensure the attendance of board members and key officers to relevant trainings.
- h) Coordinate closely with the Corporation's Officers, Managers, and other departments to ensure their compliance with their avowed responsibilities to the shareholders and the general public.
- i) Perform such other duties and responsibilities as may be delegated by the Board and/or provided by the SEC.
- j) **Collaborates with other departments within the Corporation to properly address compliance issues, which may be subject to investigation.**

(As amended on June 9, 2020)

X  
INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT  
FRAMEWORK

- 1) The Corporation shall establish and implement 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, and complexity of operations.
- 2) The Corporation shall establish an independent internal audit function 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 to the Board, Audit and Risk Committee and Management, focusing on reviewing the effectiveness of the governance and control process in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) 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 controls as appropriate for the organization.
  - d) Performs compliance audit on 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.
  - h) Monitors and evaluates governance process.
- 3) The Corporation shall have a qualified Internal Audit Head appointed by the Board. The Internal Audit Head shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. The following are the responsibilities of the Internal Audit Head, among others:
- a) Periodically reviews the internal audit charter and presents it to senior management and the Audit and Risk 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 and Risk 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 and Risk Committee on the internal audit activity's performance relative to its plan.
  - f) Presents findings and recommendations to the Audit and Risk Committee and gives advice to senior management and the Board on how to improve internal processes.
- 4) The Corporation shall 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 factors and achievement of the organization's strategic objectives.
  - c) Evaluating and categorizing each identified risk using the Corporation'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 Corporation, 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 Audit and Risk Committee.
  - g) Monitoring and evaluating the effectiveness of the organization's risk management processes.
- 5) In managing the Corporation's Risk Management System, the Corporation should have a Risk Management Officer (RMO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resource and support to fulfill his/her responsibilities, subject to the Corporation's size, risk profile and complexity of operations. There should be clear communication between the Audit and Risk Committee and the RMO. The RMO 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 Audit and Risk Committee.
  - c) Collaborates with the Chairman/CEO and President/COO in updating and making recommendations to the Audit and Risk Committee.





- d) Suggest ERM policies and related guidance, as may be needed.
- e) Provides insights on the following:
  - i) Risk management processes are performing as intended.
  - ii) Risk measures reported are continuously reviewed by risk owners for effectiveness.
  - iii) Established risk policies and procedures are being complied with.

## XI THE EXTERNAL AUDITOR

An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. In this connection, an external auditor shall be recommended by the Audit and Risk Committee, approved by the Board, and ratified by the shareholders. (As amended on June 9, 2020)

## XII ACCOUNTABILITY AND AUDIT

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

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

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

- a) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- b) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained for the benefit of all stockholders and other stakeholders.
- c) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations.

- d) The Corporation should consistently comply with the financial reporting requirements of the SEC.
  - e) The external auditor should be rotated or changed every five (5) years, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.
  - f) The Internal Auditor should submit to the Audit and Risk Committee and Management an annual report on the Internal Audit Department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.
- 2) The Board, after consultations with the Audit and Risk Committee, shall recommend to the shareholders an external auditor duly accredited by the SEC who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between him and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

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

### XIII

#### SHAREHOLDERS' BENEFITS AND RIGHTS AND PROTECTION OF MINORITY SHAREHOLDERS' INTEREST

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights, encourage shareholders to exercise their rights, provide a clear-cut process and procedures to follow, and provide an adequate venue for them to seek timely redress for violation of their rights.

The Board shall be transparent and fair in the conduct of the annual and special shareholders' meetings of the Corporation and should provide accurate and timely information to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. The shareholders 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. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the shareholders' meaningful participation in meetings, whether in person or by proxy. Subject of the requirements of the By-Laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholders' favor.

The Board shall respect the rights of the shareholders as provided for in the Corporation Code and the Code of Corporate Governance for Publicly Listed Companies, namely:

- 1) Right to vote on all matters that require their consent or approval.
- 2) Pre-emptive right to all stock issuances of the Corporation, if applicable under the Corporation's Articles of Incorporation and By-Laws.
- 3) Right to inspect corporate books and records.
- 4) Right to information.
- 5) Right to dividends.
- 6) Appraisal right.
- 7) Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting.
- 8) Right to nominate candidates to the Board of Directors.
- 9) Right to be informed of the nomination process and voting procedures that would govern the Annual and Special Shareholders' Meeting.

Although all shareholders should be treated equally or without discrimination, the Board should give minority shareholders 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.

To encourage active shareholder participation, the Corporation's Corporate Secretary shall disclose and/or publish in the PSE Edge the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-eight (28) days before the meeting.

The Corporation shall make the results of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available in the PSE Edge the next



working day. As much as possible, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Corporation's website within five (5) business days from the end of the meeting.

The Corporation shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting.

#### XIV RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS' RIGHTS

- 1) The Board shall identify the Corporation's various Stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability.
- 2) The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.
- 3) The Board shall adopt a framework and process that allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.
- 4) As part of the Stakeholders of the Corporation, the Corporation's employees should be encouraged to actively participate in the realization of the Corporation's goals and its governance. For this purpose, the Board should develop policies and programs for the Corporation's employees covering, among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees.
- 5) The Corporation recognizes and places an importance on the interdependence between the Corporation's business and society, and aims to promote a mutually beneficial relationship that allows the Corporation to grow its business while contributing to the advancement of the society and communities where it operates.

#### XV DISCLOSURE AND TRANSPARENCY

- 1) All material information about the Corporation which could affect its viability or the interests of its shareholders and stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of material assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.



- 2) The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its shareholders and stakeholders.
- 3) Management shall provide members of the Board with complete, adequate and timely information about the matters to be taken in their meeting. Further, the members of the Board shall be given independent access to Management and the Corporate Secretary. The members of the Board, individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense.
- 4) All directors and officers shall disclose/report to the Corporation's Compliance Officer any dealing in the Corporation's shares within three (3) business days from the date of the transaction.
- 5) The Corporation should disclose its policies governing Related Party Transactions. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report.
- 6) The Corporation, through its Investor Relations Office, shall regularly conduct 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.

## XVI MONITORING AND ASSESSMENT

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under this Manual.

This Manual shall be subject to review, and may be amended or revised at any time at the discretion of the Board.

## XVII PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, and employees, in case of violation of any of the provisions of this Manual:

- 1) In case of first violation, the subject personnel shall be reprimanded.
- 2) Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.

- 3) For third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of this Manual by any member of the Board of the Corporation shall be a sufficient cause for removal from directorship.

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

**THIS MANUAL SHALL BE AVAILABLE FOR INSPECTION BY ANY SHAREHOLDER OF THE CORPORATION AT REASONABLE HOURS ON BUSINESS DAYS.**

Signed and Approved by the Board of Directors on June 9, 2020 in Mandaue City, Philippines.

  
**FRANK S. GAISANO**  
Chairman

  
**JACK S. GAISANO**  
Director

  
**MARGARET G. ANG**  
Director

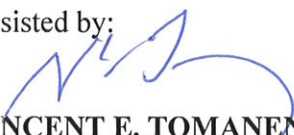
  
**EDWARD S. GAISANO**  
Director

  
**RICARDO NICANOR N. JACINTO**  
Independent Director

  
**GUILLERMO L. PARAYNO, JR.**  
Independent Director

  
**MANUEL C. ALBERTO**  
President

Assisted by:

  
**VINCENT E. TOMANENG**  
Corporate Secretary and Chief Legal Counsel

  
**TARA TSARINA B. PEREZ-RETUYA**  
Compliance Officer and Asst. Corporate Secretary