

# AMENDED MANUAL ON CORPORATE GOVERNANCE (August 2016)

## SECTION 4 – BOARD COMMITTEES

### 1. BOARD COMMITTEES

The Board shall constitute the proper committees to assist it in good corporate governance.

#### 1.1 Nomination and Election Committee

The Nomination Committee shall have at least three (3) Directors, one of whom must be independent.

1.1.1 It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

##### Qualifications

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least twenty one (30) years old;
- He shall have worked or in business for at least six (6) years and held a position not less than managerial level;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

##### Disqualifications

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Code, the Corporation Code, or any other law, rules, regulations or order administered by the SEC or Bangko Sentral ng Pilipinas;
- Any person judicially declared to be insolvent or bankrupt;

- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Code, committed within five (5) years prior to the date of his election or appointment.
- Any person treated for mental disorder, drug or alcohol addiction or confined in a mental institution;
- Any person owning directly or indirectly more than ten (10%) percent equity in any similar nature of business other than the Corporation's affiliates or subsidiaries.

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest as required under the Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency or any twelve-(12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

- 1.1.2 In consultation with the Board, review and re-define, as appropriate, the role, duties and responsibilities of the Chief Executive Officer (CEO) by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- 1.1.3 The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.
- 1.1.4 The Nomination Committee shall consider the following guidelines in determining the number of directorships for the members of the Board:
- The nature of the business of the Corporation which he is a director;
  - Age of the director;
  - Number of directorships/active memberships and officerships in other corporations or organizations; and
  - Possible conflict of interest.

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

## **1.2 Compensation and Remuneration Committee**

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

### **4.2.1 Duties and Responsibilities**

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.

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

### **4.3 Audit Committee**

The audit committee shall be composed of at least three (3) Members of the Board, at least two (2) of whom must be independent and one (1) of whom shall be its head or chairman. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment. *(In compliance with SEC Memorandum Circular No. 6 Series of 2004)*

#### **4.3.1 Functions of the Audit Committee**

The Audit Committee shall have the following 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) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

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 an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;

h) Review the reports submitted by the internal and external auditors;

i) Review the quarterly, half-year 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
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements.

j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

l) 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 Committee.

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

#### **4.4 Risk Oversight Committee**

The Risk Oversight Committee shall be composed of at least three (3) members, majority of whom must be independent directors. The Chairman of the Risk Oversight Committee must be an independent director. The committee shall have the following duties and responsibilities:

- (a) Promote an open discussion and awareness on the risks faced by the Company and its subsidiaries which may have a potential impact on the Company's operations
- (b) Review the Company's risk management function to ensure that senior management has the proper position, staff and resources to manage such risks.
- (c) Oversee and work with the Company's Chief Risk Officer, the Company's General Counsel, Chief Compliance Officer and external legal counsel and regulatory consultants, as needed, to recommend a risk profile of the Company, considering the Company's risk capacity, risk appetite, risk limits, current risk profile, risk exceptions and remediation protocols.
- (d) Review with senior management, the Company's Enterprise Risk Management (ERM) charter, policies and procedures for assessing and managing potential key risk exposures.
- (e) Review disclosures regarding risks contained in the Company's Annual Report and other publicly-issued statements
- (f) Work with the Audit Committee in including in the Company's Annual Report a certification as to the adequacy of the Company's internal controls and risk management system.
- (g) Oversee the risk management function, including reviewing with management the guidelines and policies that govern the process by which risk assessment and risk management is undertaken.
- (h) Perform other activities as may be required or necessary pursuant to the ERM charter upon the request of the Board.

#### **4.4 Corporate Governance Committee**

The Corporate Governance Committee shall be composed of at least three (3) members of the Board, majority of whom shall be independent directors of the Company. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman. It shall have the following duties and responsibilities:

- (a) Formulate policies that will promote compliance with all rules, laws, regulations and company policies
- (b) Review and implement the Company's corporate governance activities and programs
- (c) Monitor and facilitate the Company's compliance with all rules and policies
- (d) Conduct annual review of the effectiveness of the Officers and employees in fulfilling their responsibilities
- (e) Conduct an annual self-assessment on compliance with corporate governance principles, policies, and provisions.