



OMICO CORPORATION

NEW MANUAL ON CORPORATE GOVERNANCE (JUNE 2020)

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

Article 1: OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

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

Article 2: DEFINITION OF TERMS

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

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

Code of Corporate Governance (The Code) – refers to the new Code of Corporate Governance for Publicly-Listed Companies.

Enterprise risk management – a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that

is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

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

Exchange or The Philippine Stock Exchange, Inc. or PSE – an organized market place or facility that brings together buyers, and sellers, and executes trades of securities and/or commodities.

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

Internal 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 control – a process designed and effected by the entity's Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations, and the organization'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.

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

Non-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.

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.

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

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

but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

SEC or The Commission – the Securities and Exchange Commission of the Philippines.

Significant influence – the power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

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

Article 3: RULES OF INTERPRETATION

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

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and other stakeholders of the corporation.

Article 4: THE BOARD'S GOVERNANCE RESPONSIBILITIES

Principle 1 – Establishing a Competent Board

A) Composition of the Board

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

The Board shall be composed of seven (7) directors who shall be elected at the Annual Stockholders' Meeting to hold office until the next annual meeting and until their respective successors have been elected and qualified.

The Corporation shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board.

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

The Board shall 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.

The Company shall provide in its Board Charter and Manual on Corporate Governance a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

B) Board Diversity

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Company's industry/sector. The Board shall 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.

C) Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

The Chief Executive Officer (CEO) and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- a) The nature of the business of the corporation which he is a director;
- b) Age of the director;
- c) Number of directorships/active memberships and officerships in other corporations or organizations; and
- d) Possible conflict of interest.

D) Qualifications of Directors

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- a) Holder of at least one share of stock of the Corporation;
- b) College education or equivalent academic degree;
- c) At least twenty-one (21) years old;
- d) Practical understanding of the business of the Corporation;
- e) Membership in good standing in relevant industry, business or professional organizations;
- f) Previous business experience;

- g) Proven to possess integrity and probity; and
- h) Assiduous.

D) Disqualification of Directors

1. Permanent Disqualification

The following shall be grounds for the permanent disqualification of a director:

- a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.
- b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

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

- d) Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule regulation or order administered by the SEC or BSP.
- e) Any person judicially declared as insolvent.
- f) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously.
- g) Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment.
- h) Other grounds as the SEC may provide.
- i) Any person engaged in any line of business which is in direct competition, or is representative of interests that are directly antagonistic to the line of business or the interests of the corporation. Said engagement includes, but is not limited to, the following acts:
 - i. If the person is an employee, officer, manager or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation (other than one in which the corporation owns at least thirty percent (30%) of the capital stock) or entity engaged in a business that the Board, by at least a majority vote, determines to be competitive or antagonistic to that of the company or of its subsidiaries; and
 - ii. If the Board, in its exercise of sound judgment, determines by at least a majority vote that said person is the nominee of any person set forth in the preceding clause.

2. Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- 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 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 or termination for cause as director of any publicly-listed

company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

- d) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- e) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.
- f) Any conflict of interest that may potentially arise as a result of a person sitting in the Board of the corporation.
- g) Having maintained an interest adverse to that of the corporation including the filing of complaint or case against the corporation before any court, tribunal, quasi-judicial agency or any administrative agency or instrumentality of the government where such complaint or case has been eventually dismissed. The temporary disqualification herein shall cover a period of two years from such dismissal.

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.

E) The Corporate Secretary

The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

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

- a) Assists the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the board and its committees to set agendas for those meetings;
- b) Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
- c) Keeps abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the Corporation, and advises the Board and the Chairman on all relevant issues as they arise;

- d) Works fairly and objectively with the Board, Management and shareholders and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders, including stakeholders;
- e) Advises on the establishment of board committees and their terms of reference;
- f) Informs members of the Board, in accordance with the by-laws of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so;
- h) Performs required administrative functions;
- i) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j) Performs such other duties and responsibilities as may be provided by the Board and the SEC.

F) The Compliance Officer

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

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

- a) Ensures proper onboarding of new directors of new directors (i.e., orientation on the Company's business, charter, articles of incorporation and By-Laws, among others);
- b) Monitors, reviews, evaluates and ensures the compliance by the Corporation, its officers and directors with the relevant laws, the Code, rules and regulations and all governance issuances of regulatory agencies;
- c) Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

- d) Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
- e) Appears before the SEC when summoned in relation to compliance with the Code and other relevant rules and regulations;
- f) Collaborates with other departments within the Company to properly address compliance issues, which may be subject to investigation;
- g) Identifies possible areas of compliance issues and works towards the resolution of the same;
- h) Ensures the attendance of board members and key officers to relevant trainings; and
- i) Performs such other duties and responsibilities as may be provided by the Board and the SEC.

Principle 2 – Establishing Clear Roles and Responsibilities of the Board

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

A) General Responsibility

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

The Board shall formulate the corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

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

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

B) Duties and Responsibilities

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

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

corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management.

- b) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) 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.
- g) 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.
- h) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
- i) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- j) Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between

the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.

- k) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
- l) 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.

C) Specific Duties and Responsibilities 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 should observe the following norms of conduct:

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

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

- b) 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 business of the Corporation. 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.

c) Act judiciously.

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

d) 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.

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

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

f) 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 reveal confidential information to unauthorized persons without the authority of the Board.

D) The Chairperson

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

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

- a) Makes certain that the meeting agenda focuses on strategic matters including the overall risk appetite of the corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b) Guarantees that the Board receives timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging skills and expertise of individuals directors;

- d) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e) Assures the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f) Makes sure that the performance of the Board is evaluated at least once a year and discussed/followed up on, if necessary.

E) Other Duties and Responsibilities

The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This shall include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation.

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

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

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates; (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors independence of mind given their responsibilities to the Board in light of the entity's business and risk profile; (2) have record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members. A good practice is the use of professional search firms or external sources when searching for candidates to the Board.

The Board shall have the overall responsibility in ensuring that there is a group wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

Ensuring the integrity of related party transactions is an important fiduciary duty of the director. It is the Board role to initiate policies and measures geared towards prevention of abuse and promotion of transparency and in compliance

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

The following are suggestions for the content of the RPT Policy:

- Identification of related parties;
- Coverage of RPT policy
- Guidelines in ensuring arm's – length terms;
- Identification and prevention or management of potential or actual conflicts of interest which may arise;
- Adoption of materiality thresholds, as well as internal limits for individual and aggregate exposures;
- Approval of material RPTs based on the Company's materiality threshold;
- Disclosure requirement of material RPTs;
- Self-assessment and periodic review of policy;
- Whistle - blowing mechanisms, and
- Restitution of losses and other remedies for abusive RPTs.

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

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

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, board members, and shareholders. The Board shall also approve the Internal Audit Charter.

The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

The Board shall have a Board Charter that formalizes and clearly states its roles responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and shall be publicly available and posted on the Company's website.

F) Internal Control Responsibilities of the Board

The control environment of the corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the

corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) 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 may include:

- a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
- b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
- c) Evaluation of proposed senior management appointments;
- d) Selection and appointment of qualified and competent management officers; and
- e) Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

G) Accountability and Audit

The Board is primarily accountable to the stockholders. 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 provide 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 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 for the benefit of all stockholders and other stakeholders should be maintained;
- 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 Commission;
- e) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit 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 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.

The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The 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 Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall

give his comments or views on the matter in the said reports.

H) Board Meetings and Quorum Requirement

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

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

I) Adequate and Timely Information

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

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

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

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

Principle 3 – Establishing Board Committees

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

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

All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters

shall provide the standards for evaluating the performance of the Committees. It shall also be fully disclosed on the Company's website.

A) Audit Committee

The Board shall establish an Audit Committee to enhance its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Audit Committee shall consist of at least three (3) directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. Each member shall have adequate understanding at least or competence at most of the corporation's financial management systems. The chair of the Audit Committee should be an independent director. The Chairman of the Audit Committee shall not be the Chairman of the Board or of any other committees.

The Audit 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, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding assets.

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

- 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) 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;
- d) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- e) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- f) Review the reports submitted by the internal and external auditors;

- g) 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.
- h) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- i) 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;
- j) 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;
- k) Ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;
- l) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the corporation through step-by-step procedures and policies handbook that will be used by the entire organization;
- m) Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- n) Through the Internal Audit (IA) Department monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company' resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

- o) Oversee the Internal Audit Department and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- p) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- q) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- r) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- s) Evaluate and determine the non-audit work if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- t) Review the disposition of the recommendations in the External Auditor's management letter;
- u) Perform oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records properties and personnel to enable them to perform their respective audit functions;
- v) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- w) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- x) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- y) In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates,

fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate business resources of the Company are misappropriated or misapplied;

- z) Performs the functions of the Board Risk Oversight Committee, in the absence thereof; and
- aa) Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the IA.

B) Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) members, one of whom must be an independent director.

It shall have the following duties and responsibilities:

- a) Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval in accordance with the qualifications and disqualifications provided under this Manual, the Corporation Code, Securities Regulation Code and other relevant laws;
- b) Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
- c) In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the 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.

C) Compensation and Remuneration Committee

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

It shall have the following duties and responsibilities:

- a) 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.
- b) 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.

- c) 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.
- d) 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.
- e) Disallow any director to decide his or her own remuneration.
- f) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- g) Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- h) Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

D) Corporate Governance Committee

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

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

- a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size complexity and business strategy, as well as its business and regulatory environments;
- b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management and conducts an annual evaluation of the said performance;
- c) Ensures that the results of the Board evaluation are discussed and that concrete action plans are developed and implemented to address the identified areas for improvement;

- d) Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly and consistently implemented in form and substance;
- f) Proposes and plans relevant trainings for the members of the Board;
- g) Determines the nomination and election process for the Company's directors and defines the general profile of board members that the Company may need, and ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election; and
- h) Establishes a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the Corporation's culture and business strategy as well as the business environment in which it operates.

Principle 4 – Fostering Commitment

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

The directors shall attend and actively participate in all meetings of the Board Committees, in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the directors shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

A director's commitment to the company is evident in the amount of time he dedicates to performing his duties and responsibilities, which includes his presence in all meetings of the Board Committees and Shareholders. In this way, the director is able to effectively perform his duty to the company and its shareholders.

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

The non-executive directors of the Board shall 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.

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

Principle 5 – Reinforcing Board Independence

The Board shall endeavor to exercise an objective and independent judgment on all corporate affairs.

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

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

Independent directors need to possess a good general understanding of the industry they are in. Further, it is worthy to note that independence and competence should go hand in hand. It is therefore important that the non-executive directors, including independent directors, possess the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board.

An Independent Director refers to a person who, ideally;

- a) Is not or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
- b) Is not, and has not been in the two (2) years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
- c) Has not been appointed in the covered company its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
- d) Is not an owner of more than two percent (2%) of the outstanding shares of the covered company its subsidiaries, associates, affiliates or related companies;
- e) Is not relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its

substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

- f) Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- g) Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h) Is not retained, either in his personal capacity or through a firm as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- i) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;
- j) Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- k) Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies refer to (a) the covered entity's holding/parent company; (b) its subsidiaries of its holding/parent company.

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

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

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

- a) Implements the Corporation's strategic plan on the direction of the business;
- b) Communicates and implements the corporation's vision, mission, values and overall strategy as formulated by the Board and promotes any organization or stakeholder change in accordance with the same;
- c) Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d) Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- e) Directs, evaluates and guides the work of the key officers of the Corporation;
- f) Manages the Corporation's resources prudently and ensures a proper balance of the same;
- g) Provides the Board with timely information and interfaces between the Board and the employees;
- h) Builds the corporate culture and motivates the employees of the Corporation; and
- i) Serves as the link between internal operations and external stakeholders.

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

A director with a material or potential interest in any transaction affecting the Corporation shall fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction. The abstention of a director from participating in a meeting when related party transactions, self-dealings or any transactions or matters on which he has a material interest are taken up ensures that he has no influence over the outcome of the deliberations. The fundamental principle to be observed is that a director does not use his position to profit or gain some benefit or advantage for himself and/or his related interests.

The non-executive directors shall 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 shall be chaired by the lead independent director, if applicable.

Principle 6 – Assessing Board Performance

The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a

body, and assess whether it possesses the right mix of backgrounds and competencies.

The Board shall conduct an annual assessment of its performance, including the performance of the Chairman, individual members and committees.

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

Principle 7 – Strengthening Board Ethics

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

The Board shall adopt a Code of Business Conduct and Ethics, which will provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, Senior Management and employees. It shall also be disclosed and made available to the public through the company website.

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

Article 5: DISCLOSURE AND TRANSPARENCY

Principle 8 – Enhancing Company Disclosure Policies and Procedures

The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectation.

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a Company's financial condition, results and business operations. These policies and procedures shall comply with the disclosure requirements as provided in Rule 68 of the Securities Regulation Code (SRC), Philippine Stock Exchange Listing and Disclosure Rules and other regulations required which are essential for comprehensive and timely reporting.

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

The Company's corporate governance policies, programs and procedures shall be contained in the Manual on Corporate Governance (MCG), which shall be submitted to the regulators and posted on the Company's website.

The MCG shall contain the following, among others:

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

The Company shall disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Report, which should be submitted to the SEC, and continuously updated and posted on the Company's website.

The ACGR shall contain the following disclosures, among others:

- a) A policy on disclosure of all relevant and material information on individual board directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest that might affect their judgment as prescribed under Rule 12 Annex C of the SRC;
- b) Board and executive remuneration, as well as the level and mix of the same;
- c) Accurate disclosure to the public of every material fact or event that occurs in the company, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders;
- d) The non-audit work, if any, of the External Auditor, the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses;

- e) The attendance record of the company's directors for the previous year; and
- f) Other information that the SEC or other regulatory agencies, may, from time to time require disclosure of.

Principle 9 – Strengthening the External Auditor’s Independence and Improving Audit Quality

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

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

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

The Company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which can be viewed as impairing the external auditor's objectivity.

Principle 10 – Increasing Focus on Non-Financial and Sustainability Reporting

The Board shall ensure that the Company discloses material and reportable non-financial and sustainability issues.

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

Principle 11 – Promoting a Comprehensive and Cost-Efficient Access to Relevant Information

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

The Company shall have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public. The Company website shall contain, among others, the Manual on Corporate Governance, Annual Corporate Governance Report, Board Charter, Committee Charters, and the Company's Code of Business Conduct and Ethics.

Article 6: INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

Principle 12 – Strengthening the Internal Control and Risk Management Systems

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company shall have a strong and effective internal control system and enterprise risk management system.

The Company shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

The Company shall have in place an independent internal audit function that provides an independent objective assurance, and consulting services designed to add value and improve the Company's operations. In case of fully outsourced internal audit activity, a qualified independent executive or a senior management personnel shall be assigned the responsibility for managing the fully outsourced internal audit activity.

A separate internal audit function is essential to monitor and guide the implementation of the company policies. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the governance risk management and control functions. The following are the functions of the internal audit., among others.

- a) Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control process in (1) promoting the right values and ethics, (2) ensuring effective performance, management and accounting in the organization, (3) communicating risk and control information, (4) coordinating the activities and information among the Board, external and internal auditors and Management;
- b) Performs regular and special audit as contained in the annual audit plan and /or based on the company's risk assessment;
- c) Performs consulting and advisory services related to governance and control as appropriate for the organization;

- d) Performs compliance audit of relevant laws, rules and regulations, contractual obligation and other commitments, which could have a significant impact on the organization;
- e) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- f) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g) Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h) Monitors and evaluates governance processes.

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

Article 7: CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

Principle 13 – Promoting Shareholders' Rights

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

The Board shall ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance.

It is the responsibility of the Board to adopt a policy informing the shareholders of all their rights. Shareholders are encouraged to exercise their rights by providing clear-cut processes and procedures for them to follow.

Shareholders' rights relate to the following among others:

- Pre-emptive rights;
- Right to dividends;
- Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
- Right to nominate candidates to the Board of Directors;
- Right to be informed of the nomination and removal process; and
- Right to be informed of the voting procedures that would govern the Annual and Special Shareholders' Meeting.

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

- a) Right to vote on all matters that require their consent or approval

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

b) Pre-emptive right to all stock issuances of the corporation

All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

c) Right to inspect corporate books and records

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

d) Right to information

- i. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- ii. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- iii. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

e) Right to dividends

The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any

loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

f) Appraisal right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 80 of the Revised Corporation Code of the Philippines, under any of the following circumstances:

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

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings or participate through remote communication and vote *in absentia*, subject to governing SEC rules. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholder's meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

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

The related shareholders' rights and relevant Company policies shall be contained in the Manual on Corporate Governance.

The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-one (21) days prior to the meeting. The written notice of regular and special meetings may be sent to all stockholders of record through electronic mail or such other manner as the SEC shall allow under its guidelines.

The Board shall encourage active shareholder participation by making result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the Company website within five (5) business days from the end of the meeting.

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

The Company shall have an Investor Relations Officer (IRO), with an email address and telephone number, to ensure constant engagement and communication with its shareholders. The designated IRO shall be present at every shareholders' meeting.

Article 8: DUTIES TO STAKEHOLDERS

Principle 14 – Respecting Rights of Stakeholders and Effective Redress for Violation of Stakeholder's Rights

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders shall have the opportunity to obtain prompt effective redress for the violation of their rights.

The Board shall identify the Company's various stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability. Stakeholders in corporate governance include, but are not limited to customers, employees, suppliers, shareholders, investors, creditors, the

community the Company operates in, society, the government regulators, competitors, external auditors, etc. In formulating the Company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the Company and are directly or indirectly affected by its operations.

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. In instances when stakeholders' interests are not legislated, the Company's voluntary commitments ensure the protection of the stakeholders' rights. The Company's stakeholders include its customers, resource providers, creditors and the community in which it operates. Fair, professional and objective dealings as well as clear, timely and regular communication with the various stakeholders ensure their fair treatment and better protection of their rights.

The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the Company and obtain redress for the violation of their rights.

The Company's stakeholders play a role in its growth and long-term viability. As such, it is crucial for the Company to maintain open and easy communication with its stakeholders. This can be done through stakeholder engagement touch points in the Company such as the Investor Relations Officer, Office of the Corporate Secretary and Customer Relations Office.

Principle 15 – Encouraging Employees Participation

A mechanism for employee participation shall be developed to create a symbiotic working environment consistent with the realization of the Company's objectives and good corporate governance goals.

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance.

The establishment of policies and programs covering among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for the employees, encourages employees to perform better and motivates them to take a more dynamic role in the Corporation. To foster active participation, the Company recognizes the firm-specific skills of its employees and their potential contribution in corporate governance. The employees' viewpoint in certain key decisions may also be considered in governance processes through work councils or employee representation in the Board.

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through orientation and continuous trainings to embed them in the Company's culture. The adoption of anti-corruption policy and program endeavors to mitigate corrupt practices such as, but not limited to bribery, fraud, extortion, collusion, conflict of interest and money laundering. This encourages employees to report corrupt practices and outlines procedures

on how to combat, resist and stop these corrupt practices. Anti-corruption programs are more effective when the Board sets the tone and leads the Company in their execution.

The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework as well as in supervising and ensuring its enforcement. A suitable whistle blowing framework sets up the procedures and safe-harbors for complaints of employees, either personally or through their representative bodies, concerning illegal and unethical behavior in the Company. One essential aspect of the framework is the inclusion of safeguards to secure the confidentiality of the informer and ensure protection from retaliation. Further, part of the framework is granting individuals or representative bodies confidential direct access to either an independent director or a unit designed to deal with whistleblowing concerns.

Principle 16 – Encouraging Sustainability and Social Responsibility

The Company shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

The Company shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that will allow the Company to grow its business, while contributing to the advancement of the society where it operates. Sustainable development means that the company not only complies with existing regulations, but also voluntarily employs value chain processes that takes into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the company plays an indispensable role alongside the government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

Article 9: COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Corporation shall establish and implement its corporate governance rules pursuant to the SEC Memorandum Circular No. 24 Series of 2019 entitled “Code of Corporate Governance for Publicly Companies and Registered Issuers” and shall be embodied in a Corporate Governance Manual that can be used as reference by the members of the Board and Management.

A) Communication Process

This Corporate Governance Manual shall be posted on the Company’s website.

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

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

B) Training Process

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

A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

Article 10: REGULAR REVIEW OF THE CODE AND THE SCORECARD

A) Annual Scorecard

To monitor compliance with the New Code of Corporate Governance, the Commission may require the corporation to accomplish annually a scorecard on the scope, nature and extent of the actions it has taken to meet the objectives of this Manual.

B) Monitoring and Assessment

Each Committee shall report regularly to the Board of Directors.

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 Article 11 of this Manual.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

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

All business processes and practices being performed within any department or business unit of the corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

Article 11: ADMINISTRATIVE SANCTIONS

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

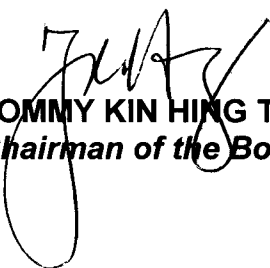
- A) In case of first violation, the subject person shall be reprimanded.
- B) Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
- C) For third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates 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.

OMICO CORPORATION
New Manual on Corporate Governance
June 2020

Signed:



TOMMY KIN HING TIA
Chairman of the Board



JUANA LOURDES M. BUYSON
Compliance Officer