

# COVER SHEET

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SEC Registration Number

S E M I R A R A M I N I N G C O R P O R A T I O N

(Company's Full Name)

2 N D F L O O R D M C I P L A Z A  
 2 2 8 1 D O N C H I N O R O C E S A V E N U E  
 M A K A T I C I T Y

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

Nena D. Arenas

(Contact Person)

888-3055

(Company Telephone Number)

1 2

(Fiscal Year)

3 1

M A N U A L O N C O R P O R A T E

G O V E R N A N C E

Month

Day

(Annual Meeting<sup>1</sup>)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

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 To be accomplished by SEC Personnel concerned

File Number

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LCU

Document ID

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Cashier

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Remarks: Please use BLACK ink for scanning purposes.

<sup>1</sup> First Monday of May of each year.

# **SEMIRARA MINING AND POWER CORPORATION**

## **MANUAL ON CORPORATE GOVERNANCE**


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## MANUAL ON CORPORATE GOVERNANCE

The Board of Directors, officers, executives and employees of **Semirara Mining and Power Corporation** (hereinafter referred to as the “Corporation”) commits themselves to the fundamental principles of sound corporate governance and best practices provided in this **Manual on Corporate Governance** (the “Manual”), and acknowledges that the same as necessary components of sound strategic business management that will guide the Corporation in the attainment of its corporate goals and enhancing the value of the Corporation for the benefit of all its stakeholders.

This Manual is adopted pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance for Publicly Listed Companies, hereinafter “the Code”). It supersedes the Corporation’s Manual of Corporate Governance adopted pursuant to Memorandum Circular No. 6, Series of 2009 (Revised Code of Corporate Governance) issued on July 15, 2009.

### 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 stockholders will undertake every effort necessary to create awareness within the organization.

The Corporation adheres to the principles of fairness, accountability, integrity, transparency and honesty to develop and uphold an ethical culture that will protect and promote the best interest of the Corporation for the common benefit of the Corporation’s stockholders and other stakeholders. The Corporation likewise adheres to the laws enfranchising its corporate existence and utility operations. As the Corporation progresses, this Manual shall be kept under constant review and revision to meet the emerging standards of good corporate governance practices.

### ARTICLE 2. DEFINITION OF TERMS

1. **Corporate Governance** – the framework of rules, systems and process in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.
2. **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

3. **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.
4. **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of business of the corporation.
5. **Independent director** – a person who, apart from his fees and shareholdings, is independent of management and 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.
6. **Executive director** – a director who is also the head of a department or unit of the corporation or performs any work related to its operation.
7. **Non-executive director** – a director who is not the head of a department or unit of the corporation nor performs any work related to its operation.
8. **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.
9. **Internal control** – the system established by the Board of Directors and Management for the accomplishment of the corporation’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, relations and internal rules.
10. **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.
11. **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.
12. **Internal audit department** – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation’s operations.

13. **Internal auditor** – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow up of engagement results.
14. **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.
15. **Related Party** – Shall cover a corporation’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the corporation exerts direct or indirect control over or that exerts direct or indirect control over the corporation; the corporation’s directors; officers; stockholders and related interests (DORSI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the corporation.
16. **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 party, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
17. **Stakeholders** – Any individual, organization or society at large who can either affect and/or be affected by the corporation’s strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

### ARTICLE 3. RULES OF INTERPRETATION

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

## ARTICLE 4. BOARD GOVERNANCE

The Board of Directors (the “Board”) is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the Corporation’s objectives, it shall provide an independent check on Management.

### 1. Composition of the Board

- a. The Board consists of eleven (11) directors (or a number in accordance with the Articles of Incorporation and By-Laws of the Corporation) who shall be elected by the stockholders at a regular or special meeting in accordance with the Amended By-Laws of the Corporation.
- b. The membership of the Board may be a combination of executive and a majority of non-executive directors including at least two (2) independent directors who possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board and ensure proper checks and balances including prevention of conflicts of interest, the exercise of independent judgment on corporate affairs, proper oversight of managerial performance and balancing of competing demands of the corporation. Further, a board composed of majority of non-executive directors assures protection of the Corporation’s interest over the interest of the individual stakeholders.
- c. The Board shall adopt a policy on Board diversity to ensure that optimal decision-making is achieved.

### 2. Independent Directors. – The Board shall ensure that its independent directors possess the necessary qualifications for an independent director to hold the position to enable them to effectively and objectively participate in the deliberations of the Board.

- a. An Independent Director refers to a person who, ideally:
  - i. 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;
  - ii. Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company’s subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company’s substantial stockholders and its related companies;
  - iii. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman



“Emeritus”, “Ex-Officio” Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;

- iv. 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;
- v. Is not a relative of a director, officer, or a substantial shareholder of the covered company or any of its related companies or of any of its substantial stockholders. For this purpose, relatives includes spouse, parent, child, brother, sister, and spouse of such child, brother or sister;
- vi. Is not acting as a nominee or representative of any director of the covered company or any of its related company;
- vii. Is not a securities broker-dealer of listed companies and registered issuers of securities. “Securities broker-dealer” refers to any person holding any office of trust and responsibility in a broker-dealer form, 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;
- viii. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- xi. Does not engage or has not engaged, whether by himself or with other persons or through a form of which he is a partner, director, or substantial shareholder, in any transaction with covered company or any of its related companies and substantial stockholders, other than such transactions that are conducted at arm’s length and could not materially interfere with or influence the exercise of his independent judgment;
- xii. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial stockholders; and

- xiii. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.
  - b. The Board's Independent Directors shall serve for a maximum of nine (9) years. After which, the independent directors are perpetually barred from re-election in the same company, but may continue to qualify for nomination and election as a non-independent director. However, stockholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instance, the Board must provide a meritorious justification.
3. **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 non-executive directors of the Board shall concurrently serve as directors to a maximum of five (5) publicly-listed companies to ensure that they are able to effectively commit themselves to performing their roles and responsibilities, regularly update their knowledge and enhance their skills.

The Chief Executive Director ("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 board they serve should not be compromised.

#### 4. **Nomination and Election of Board of Directors**

- a. Nomination for the position of directors shall be submitted to the Corporate Governance Committee or the Corporate Secretary not later than March 15 of every year or such other dates as may be fixed by the Committee.
- b. A stockholder of record, including a minority stockholder who owns at least one (1) share standing in his/her name in the books of the corporation entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors as of record date shall have the right to be nominated as director.
- c. The Corporation may engage the services of professional search firms or use other external sources of candidates when searching for candidates to the Board of Directors.

- d. The Committee may adopt a Nomination Form which may, from time to time, be amended, provided that such form shall require that:
- i. All nominations shall be signed by the nominating stockholder/s together with the acceptance and conformity by the would-be nominees;
  - ii. Each nomination shall set forth (i) the name, age, citizenship, status, business address and residence of each nominee; (ii) educational attainment and work and business experience (iii) the principal occupation or employment of each nominee, (iv) the number of shares of stock of the Corporation which are beneficially owned by each such nominee, (v) the interest and position held by each nominee in other corporations, (vi) and other relevant information. In addition, the stockholder making such nomination shall promptly provide any other information reasonably requested by the Committee.
  - iii. In case of nomination of independent directors, the nominee shall be required to sign a certification that he/she has the qualifications and none of the disqualifications as provided in this Manual, rules and regulations under Securities Regulation Code and other applicable laws.
- e. After the submission of the nominations, the Committee shall pre-screen the qualifications and prepare a Final List of all Candidates which shall contain all the information about the nominees not later than ten (10) days from the submission of the nominations. Only nominees whose names appear on the final list of candidates shall be eligible for election. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- f. Based on the Final List of Candidates, directors are elected by stockholders. Each stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name in the stock books of the Corporation on record date and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

- g. The quorum required in the election of the members of the Board of Directors is a majority of the outstanding capital stock entitled to vote. The eleven (11) nominees obtaining the highest number of votes shall be elected directors.
- h. To preserve the integrity of the election process, the Corporation employs the services of an external party to validate the voting results.

## 5. Responsibilities, Duties and Functions of the Board

- 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 members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the corporation and all stockholders.

The Board should formulate the corporation’s vision, mission, strategic objectives, policies and procedures that shall guide its activities including major plans of action, risk management policies and procedure, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestures, and the means to effectively monitor Management’s performance.

- b. **Duties and Functions.** – To ensure a high standard of best practices for the company, its stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:
  - i. Oversee the development, approval, and review at least annually, of the company’s business objectives and strategy. The Board shall have a process to review, monitor and oversee the implementation of the corporate strategy, in order to sustain the company’s long-term viability and strength.
  - ii. Develop a formal and transparent board nomination and election policy and disclose this in its Manual on Corporate Governance.
  - iii. 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.

- iv. Adopt an effective succession planning program for directors, key officers and Management to ensure growth and continued increase in the stockholders' value.
- v. Align the remuneration of executive directors, key officers and board members with the long-term interests of the corporation with a policy specifying the relationship between remuneration and performance.
- vi. Primarily responsible to appoint a competent management team at all times, monitor and assess the performance of the management team led by the Chief Executive Officer, and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive) consistent with the corporation's strategic objectives and conduct a regular review of the corporation's policies with the management team.
- vii. 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.
- viii. 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.
- ix. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
- x. 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.
- xi. 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.
- xii. Adopt a system of check and balance within the Board and shall oversee implementation of the key control functions, such as risk management compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, and compensation program for employees and

management succession plan. 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.

- xiii. Identify key business 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 as the Board is responsible for defining the company's level of risk tolerance and providing oversight management policies and procedure.
- xiv. Ensure that the roles, responsibilities, and accountabilities in the performance of its fiduciary duties shall be stated in the Board Charter.
- xv. Formulate and implement a group-wide policy and system governing the integrity and transparency of related party transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality 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. The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.

A director with a material interest in any transaction affecting the corporation shall abstain from taking part in the deliberation for the same. A director shall not use his position to profit or gain some benefit or advantage for himself or his related interest;

- xvi. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- xvii. 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.
- xviii. 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.

- xix. 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.
- xx. Establish a Board Charter that formalizes and states its roles, responsibilities and accountabilities in carrying out its fiduciary responsibilities. This serves as the Board's commitment to transparency and accountability in the performance of their functions and should be publicly available and posted on the company'

**6. The Chairman of the Board.** – The Board should be headed by a competent and qualified Chairman. The roles of Chair and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chair and CEO upon their election. If the positions of Chair and CEO are unified, the proper checks and balance should be laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chair in relation to the Board includes the following:

- a. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- b. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors, which focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect the operations;
- c. Maintain qualitative and timeliness of communications and information between the Board and Management to enable it to make sound decisions and ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by the Management;
- d. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on skills and expertise of individual directors and assures the availability of proper

orientation for first-time directors and continuing training opportunities for all directors;

- e. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
  - f. Ensure that performance of the Board is evaluated at least once a year and discussed/followed up on.
7. **Qualifications of Directors.** – Every director shall own at least one (1) share of the capital stock of the Corporation of which he is a director, which share shall stand in his name in the books of the Company. He must have all the qualifications and none of the disqualifications of a director. The following are the qualifications:
- a. Possesses the skills needed to effectively carry out his functions as director;
  - b. Possesses integrity/probity;
  - c. Has strong adherence to legal and moral principles; and
  - d. Has a practical understanding of business in general and of the business of the Company, in particular.

The Corporate Governance Committee may consider and recommend to the Board such other qualifications which are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

## 8. Disqualifications of a Director

### a. Permanent Disqualification

- i. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final and executory judgment, decree or order issued by a judicial or an administrative body having competent jurisdiction or the SEC;
- ii. an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- iii. any crime that (1) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (2) 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 (3) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house, or as an affiliated person of any of them; or



- iv. having willfully violated, or willfully aided, abetted, counselled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation, or order of the SEC or BSP.
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from:
- i. acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
  - ii. acting as director, or officer of a bank, quasi-bank, trust company, investment house, or investment company;
  - iii. engaging in or continuing any conduct or practice in any of the capacities mentioned in item (i) and (ii) above.

The disqualification shall also apply if such person: (1) is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; or (2) has otherwise been restrained to engage in any activity involving securities and banking or (3) 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 said organization.

- c. 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 in paragraphs (a) and (b) above; A director shall have the following duties and responsibilities:
- d. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- e. Any person judicially declared as insolvent.

9. **Temporary Disqualification.** – The Corporate Governance Committee may consider and recommend to the Board temporary disqualification of a director based on any of the following grounds:
- a. Refusal to fully disclose the extent of his business interest as required by existing laws or Corporation’s rules and regulations. The disqualification shall be in effect as long as the refusal persists.
  - b. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve-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 a cause as director of any corporation covered by the Governance Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.
  - d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Any temporary disqualification of a director recommended by the Corporate Governance Committee to be valid and effective must be approved by the Board, as well as, comply with the requirements of applicable laws, rules and regulations.

A temporary disqualified director shall, within such period prescribed by the Board, but in no case less than 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.

If an independent director becomes an officer or employee of the Company, his designation as independent director is automatically terminated and he shall be disqualified as an independent director.

The Corporate Governance Committee may consider and recommend to the Board other grounds for disqualifications which are now or may hereafter be provided under existing laws and regulations or any amendments thereto.

10. **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 corporation's business. He should be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.
- 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. Corollary, 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.

- g. **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 system; 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.
- i. 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 for proposed senior management appointments;
    - d. Selection and appointment of qualified and competent management officers; and
    - e. Review of the Company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
  - ii. The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
  - iii. The Corporation may establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the

International Standards of Professional Practice of Internal Auditing.

- h. **Board Meetings and Quorum Requirements.** – 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.

The non-executive directors shall have separate meetings with the external auditor and heads of the internal audit, compliance, and risk functions without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the independent director.

11. **Board Committees.** – The Board shall constitute the proper committees to aid in the optimal performance of its roles and responsibilities. All established committees shall have Committee Charters stating in plain terms their respective purpose, memberships, structures, operations, reporting processes, resources and other relevant information.

- a. **Audit Committee.** – The Audit Committee shall consist of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Committee Chairman, should be independent. All committee members must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The committee shall have the following functions:

- i. 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;
- ii. Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- iii. Organize an internal audit department and recommend the approval of the Internal Audit (IA) Charter, which formally defines

the role of Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;

- iv. Oversee the Internal Audit Department, and recommend the appointment of an independent Internal Audit Head or Chief Audit Executive. It shall recommend to the Board the approval of the terms and condition for outsourcing internal audit services;
- v. 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;
- vi. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities, for this purpose, he shall functionally report directly to the Audit Committee. The Audit Committee shall also review and monitor the responsiveness of the Management to the findings and recommendations of Internal Audit;
- vii. Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system including financial reporting control and information technology security with utmost diligence on safeguarding the utilization of company's resources, prevention of occurrence of fraud and other irregularities, among others;
- viii. The Audit Committee shall ensure that in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;
- ix. Review the reports submitted by the internal and external auditors;
- x. Review and approve the interim and annual financial statements before their submission to the Board with particular focus on the following matters:
  - a. Any change/s in accounting policies and practices
  - b. Major judgmental areas
  - c. Significant adjustments resulting from the audit
  - d. Going concern assumptions
  - e. Compliance with accounting standards
  - f. Compliance with tax, legal and regulatory requirements
- xi. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

- xii. Prior to the commencement of audit, discuss with the External Auditor the nature, scope, and expenses of the audit and review the disposition of the recommendations in the External Auditor's management letter;
  - xiii. 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 company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
  - xiv. 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 Company'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 Company's Annual Report and Annual Corporate Governance Report; and
  - xv. In case the corporation does not have a Related Party Transactions Committee, perform oversight of related party transactions (RPTs) as provided in the SEC Code of Corporate Governance for Publicly-Listed Companies. This shall include, among others, the review of all material RPTs that meet the threshold level stipulated by regulatory requirements are in the best interests of the corporation and stockholders, appropriate disclosures, and implementation of the Related Party Transaction Policy.
- b. **Corporate Governance Committee.** – The Corporate Governance Committee shall be composed of at least three (3) members, majority of whom shall be independent directors including the Chairman. The members shall have adequate and competent understanding of corporate governance principles and practices including the company's business and the industry in which it operates. The committee shall have the following functions:
- i. Oversee the implementation of the corporate governance framework to ensure that it remains appropriate in the light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environment;

- ii. Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
  - iii. Ensure that the result of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas of improvement;
  - iv. Recommend 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;
  - v. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and in substance; and
  - vi. Propose, plan and provide access to relevant trainings for the members of the board, including orientation program for first-time directors and relevant annual trainings as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Company's business.
- c. **Compensation and Remuneration Committee.** – A Compensation and Remuneration Committee shall be composed of at least three (3) members and majority of whom shall be independent directors including the Chairman. Its main oversight function is to 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.
- d. **Risk Committee.** – The Risk Committee shall be composed of at least three (3) members, majority of whom shall be independent directors including the Chairman. At least one committee member shall have relevant knowledge and experience on risk and risk management. It shall be responsible for the company's Enterprise Risk Management system to ensure its functionality and effectiveness. The committee shall have the following functions:
- i. Develop a formal enterprise risk management plan which contains the following elements:
    - a. common language or register of risks
    - b. well-defined risk management goals, objects and oversight



- c. uniform processes of assessing risks and developing strategies to manage prioritized risks
  - d. designing and implementing risks management strategies, and
  - e. continuing assessments to improve risk strategies, process and measure;
- ii. Oversee the implementation of the enterprise risk management plan through the company's risk management function and conduct regular discussions on company's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;
- iii. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness and revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- iv. Advise the Board on its risk appetite level and risk tolerance limits;
- v. Review at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external framework;
- vi. Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- vii. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- viii. Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

**12. Chief Executive Officer.** – The Chief Executive Officer shall have clearly defined responsibilities separate from those of the Chairman of the Board. The duties and responsibilities of the Chief Executive Officer in relation to the Board may include, among others, the following:

- a. Determine the Company's strategic direction and formulates and implements its strategic plan on the direction of the business;
  - b. Communicate and implement the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
  - c. Oversee the operations of the Corporation and manages human and financial resources in accordance with the strategic plan;
  - d. Have a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business procedure;
  - e. Direct, evaluate and guide the work of the key officers of the corporation;
  - f. Manage the Company's resources prudently and ensure a proper balance of the same;
  - g. Provide the Board with timely information and interfaces between the Board with timely information and interfaces between the Board and the employees;
  - h. Build the corporate culture and motivates the employees of the Company; and
  - i. Serve as the link between internal and external stakeholders.
13. **Lead Director.** – To avoid abuse of power and authority, and potential conflict of interest, the Board shall designate a lead director among the independent directors if the chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person. The functions of the Lead Director include, among others, the following:
- a. Serves as an intermediary between the Chairman and the other directors when necessary;
  - b. Convenes and chairs meetings of non-executive directors; and
  - c. Contributes to the performance evaluation of the Chairman, as required.
14. **The Corporate Secretary.** – The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation. He must be a separate individual from the Compliance Officer, and should not be a member of the Board of Directors. He should annually attend a training on corporate governance. He has among others, the following duties and responsibilities:

- a. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Company;
- b. Advise on the establishment of board committees and their terms of references and assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of the 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;
- c. Be loyal to the mission, vision and objectives of the corporation and oversee the drafting of the By-Laws and ensures that they conform with regulatory requirements;
- d. Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- e. Have appropriate administrative and interpersonal skills;
- f. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- g. Have a working knowledge of the operations of the corporation and keep abreast on relevant laws, regulations, all government issuances, relevant industry developments and advises the Board and the Chairman on all relevant issues as they arise;
- h. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- i. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- j. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- k. Perform required administrative functions; and
- l. Perform such other duties and responsibilities as may be provided by the SEC.

**15. The Compliance Officer.** – The Board shall appoint a Compliance Officer who shall have the rank of Senior Vice President or its equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board and should annually attend a training on corporate governance. He is primarily liable to the corporation and its stakeholders and not to the Chairman and President of the company. He shall perform the following duties:

- a. Monitor compliance by the Corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the Commission when summoned in relation to the compliance with this Manual;
- c. Ensure the integrity and accuracy of the all documentary submissions to regulators and ensure proper onboarding of new directors (i.e., orientation on the company’s business, charter, articles of incorporation and by-laws, among others);
- d. Identify possible areas of compliance issues and works towards the resolution of the same and collaborate with other departments to properly address compliance issues, which may be subject to investigation; and
- e. Ensure the attendance of board members and key officers to relevant trainings and performs such other duties and responsibilities as may be provided by SEC.

**16. Fostering Commitment.** – To show commitment to the Company, the directors shall attend and actively participate in all Board, Committees, and Stockholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so.

The Board expects commitment from each director to devote sufficient time and attention to his duties and responsibilities. Hence, a director shall notify the Board where he is an incumbent director before accepting a directorship in another company.

**17. Remuneration of Directors and Officers.** – The levels of remuneration of the corporation should be sufficient to be able to attract and retain the services

of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Corporation may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director should participate in deciding on his remuneration.

The Company's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

To protect the funds of a corporation, the Commission may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

#### **ARTICLE 5. ASSESSING BOARD PERFORMANCE**

The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.

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

#### **ARTICLE 6. STRENGTHENING BOARD ETHICS**

The Board shall adopt a Code of Business Conduct and Ethics Standards which shall provide standards for the professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings, taking into account the interest of the stakeholders. The same shall be disclosed and made available in the Corporation's website.

The Board shall also ensure that the internal controls are in place to ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

## **ARTICLE 7. ENHANCING DISCLOSURE AND TRANSPARENCY**

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

All material information about the corporation which could adversely affect its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions and other unusual or infrequently occurring transactions. The Board shall commit to timely and adequate disclosure of material information dealings. The Board shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submission to the Commission for the interest of its stockholders and other stakeholders.

- The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflict of interest that might affect their judgment as prescribed under Rule 12 Annex C of the SRC. It shall also disclose its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report.
- The Board shall also set a policy requiring all directors and officers to disclose/report to the corporation any dealings in the company's shares within three (3) business days.
- The Company shall disclose its Related Party Transactions Policy and other unusual or infrequently occurring transactions in its website, annual report or Manual on Corporate Governance. The material or significant RPTs reviewed and approved during the year shall be disclosed in its Annual Corporate Governance Report.
- The Company's Manual on Corporate Governance, corporate governance policies, programs and procedures shall be disclosed and posted on the company's website.

## **ARTICLE 8. ENABLING 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 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 Company's expense.

## **ARTICLE 9. STRENGTHENING ACCOUNTABILITY AND AUDIT**

1. 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;
- 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 auditors should be rotated or changed every five (5) years or earlier, or the signing partner or the external auditing firm assigned to the corporation, should be changed with the same frequency.
  - f. 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.
2. 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. The nature of such non-audit work shall be disclosed in the Annual Report and Annual Corporate Governance Report.

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 and the public shall also be informed through corporation's website and required disclosures. 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.



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

#### **ARTICLE 10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

The Board shall have a clear and focused policy on the disclosure of material and reportable non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business which underpins sustainability. It shall adopt a recognized standard in reporting sustainability and non-financial reporting.

#### **ARTICLE 11. PROMOTING COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION**

The Corporation shall maintain a comprehensive and cost-efficient communication channel, including but not limited to media and analyst briefings, to ensure timely and accurate dissemination of public, material and relevant information to stockholders, investors and other stakeholders.

#### **ARTICLE 12. STRENGTHENING INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK**

A strong and effective internal control system and enterprise risk management framework shall be established to ensure the integrity, transparency and proper governance in the conduct of the company's affairs.

1. The Corporation shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Company's operations;
2. A qualified Chief Audit Executive shall be appointed by the Board who shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider subject to the Company's size, risk profile and complexity operations. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity;

3. Subject to its size, risk profile and complexity of the operations, the Corporation shall have a separate risk management or advisory function to identify, assess, and monitor key risk exposures;
4. A Chief Risk Officer shall be designated in managing the Corporation's Risk Management System who a champion of Enterprise Risk Management and shall have adequate authority, stature, resources and support to fulfill his responsibilities.

### **ARTICLE 13. PROMOTING STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

1. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:<sup>1</sup>
  - a. Right to vote on all matters that require their consent or approval;
  - b. Right to inspect corporate books and records;
  - c. Right to information;
  - d. Right to dividends; and
  - e. Appraisal right.
2. The Board shall treat all stockholders fairly and equitably and ensure that the basic rights of the stockholders are disclosed in the Manual of Corporate Governance and on the Corporation's website.
3. The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation by making the result of the votes taken during the most recent Annual or Special Stockholders' Meeting publicly available on the next working day and the minutes of the Annual or Special Stockholders' Meeting should be available on the corporation's website within the prescribed time. Further, the stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in 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.

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<sup>1</sup> Article 10 of the Corporation's Articles of Incorporation currently denies pre-emptive right to all stock issuances of the corporation.

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 nominate candidates to the Board of Directors and nomination process, and right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

4. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at least 28 days before the meeting.
5. An Alternative Dispute Mechanism shall be available, at the option of the stockholders, to resolve intra-corporate disputes in an amicable and effective manner which must be included in the company's Manual on Corporate Governance.
6. The Board shall establish an Investor Relations Office to ensure that all information regarding the activities of the Corporation are properly and timely communicated to stockholders. The Investor Relations Officer should be present at every stockholders' meeting.

#### **ARTICLE 14. RESPECTING RIGHTS OF STAKEHOLDERS**

The rights of the stakeholders established by law, 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.

1. The Board shall identify the Company's various stakeholders which include, but not limited to, customers, employees, suppliers, stockholders, investors, creditors, the community the Corporation operates in, society, the government, regulators, competitors, external auditors, among others, to promote cooperation between them and the corporation in creating wealth, growth and sustainability;
2. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders. Likewise, the Board shall adopt a transparent framework and process that allow stakeholders to communicate with Corporation and to obtain redress for the violation of their rights.

#### **ARTICLE 15. ENCOURAGING EMPLOYEES' PARTICIPATION**

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance. The establishment of such programs and policies cover, among others, health, safety, and welfare, training and development, reward/compensation, which encourage employees to perform better and motivate them to take a more dynamic role in the corporation.

The Board shall set the tone against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct and Business Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed ethics in the company's culture.

The Board shall also adopt an anti-corruption policy and program that encourages employees to report corrupt practices and outline procedures on how to combat, resist and stop corrupt practices. Further, it shall establish a whistleblowing framework that allows employees to freely communicate their concerns about illegal practices or unethical practices, without fear of retaliation.

#### **ARTICLE 16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a beneficial relationship that allows the corporation to grow its business, while contributing to the advancement of the society where it operates. It shall be socially responsible in all its dealings with the communities where it operates, and ensure that its interactions serve its environment and stakeholders in a sustainable manner that is supportive of its comprehensive and balanced development.

#### **ARTICLE 17. SEPARABILITY CLAUSE**

The Board endeavors to comply at all times with the principles set out in this Manual. In case of conflict between the Code of Corporate Governance issued by SEC and its Manual, the Code shall prevail. If the conflict is such that the affected provision of this Manual is rendered invalid, the rest of the provisions of this Manual shall remain valid.

#### **ARTICLE 19. EFFECTIVITY**

This Manual on Corporate Governance was approved on May 10, 2017 by the Board of Directors. It shall be published in the website of the Corporation and shall take effect immediately.

**SEMIRARA MINING AND POWER CORPORATION**

By:



**ISIDRO A. CONSUNJI**  
Chairman of the Board of Directors



**NENA D. ARENAS**  
Compliance Officer