



TARLAC ELECTRIC INC.

MANUAL OF GOOD CORPORATE GOVERNANCE

(2025)

The Board of Directors and Management of Tarlac Electric, Inc. hereby commit to the principles and best practices contained in this Manual, as amended, and acknowledge that the same shall be their guide in the attainment of the Corporation's goals.

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(2025)

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MANUAL OF GOOD CORPORATE GOVERNANCE

The Board of Directors, officers, executives, and employees of TARLAC ELECTRIC, INC. (or the "Corporation") hereby commit themselves to the fundamental principles of sound corporate governance provided in this Manual of Good Corporate Governance (Manual), and acknowledge that the same are necessary components of sound strategic business management that will enhance the value of the Corporation to all its stakeholders. This Manual is adopted pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 24, Series of 2019 (Code of Corporate Governance for Public Companies and Registered Issuers, hereinafter "the Code").

DECLARATION OF CORPORATE PRINCIPLES

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.

DEFINITION OF TERMS

- a. **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 and reconciling long term customer satisfaction with shareholder value-to the benefit of all stakeholders and society.

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

- b. **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;
- c. **Management** - the body 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;
- d. **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;
- e. **Executive Director** - a director who has executive responsibility of day to day operations of a part or the whole of the organization.
 - f. **Non-Executive Director** - a director who has no executive responsibility and does not perform any work related to the operations of the corporation.
 - g. **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;
 - h. **Internal control** - a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
 - i. **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;
 - j. **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;
 - k. **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;
 - l. **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.
 - m. **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.

- n. **Registered Issuer** – a Corporation that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) issues equity securities to the public that are not listed in an Exchange; or (3) issues debt securities to the public that are required to be registered with the SEC, whether or not listed in an Exchange.
- o. **Related Party**- shall cover the Corporation's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Corporation exerts direct or indirect control over or that exerts direct or indirect control over the Corporation; the Corporation's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Corporation.
- p. **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.
- q. **Significant Influence** – The power to participate in the financial and operating policy decisions of the Corporation but has no control or joint control of those policies.
- r. **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.

I. CORPORATE GOVERNANCE RULES & PRINCIPLES

BOARD GOVERNANCE

Section 1.0 Composition of the Board

- 1.1. The Board consists of Six (6) 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.
- 1.2. The Board shall be composed of a majority of non-executive directors and at least two (2) or an optimal number of independent directors in the Board

to 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.

- 1.3. The Board shall establish a policy on board diversity. To avoid groupthink and ensure that optimal decision making is achieved, said policy must endeavor to achieve a board composition that is diverse in gender, skills, competence, knowledge, experience and expertise.

Section 2.0 Independent Directors

- 2.1. An Independent Director refers to a person who, ideally:
 - a. Is not, or has not been a senior officer or employee of the covered Corporation unless there has been a change in the controlling ownership of the Corporation;
 - b. Is not, and has not been in the three years immediately preceding the election, a director of the covered Corporation; a director, officer, employee of the covered Corporation's subsidiaries, affiliates or related companies; or a director, officer, employee of the covered Corporation's substantial shareholders and its related companies;
 - c. Has not been appointed in the covered Corporation, its subsidiaries, 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;
 - d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered Corporation, its subsidiaries, affiliates or related companies;
 - e. Is not a relative of a director, officer, or substantial shareholder of the covered Corporation or any of its related companies or of any of its 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 nominee or representative of any director of the covered Corporation 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 Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three 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 Corporation or any of its related companies or substantial shareholders;
- j. Is not affiliated with any non-profit organization that receives significant funding from the covered Corporation or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another Corporation where any of the covered Corporation's executives serve as directors.

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

- 2.2. As a rule, independent directors may serve for a maximum of nine consecutive years reckoned from their initial election, making sure however that the shareholders' legal right to vote and be voted directors remains inviolable. If the Corporation wants to retain an independent director who has served for nine consecutive years, the Board should provide meritorious justification and advise the shareholders of such justification during the annual shareholders' meeting.
- 2.3 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 director(s) present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director or an independent director.

Section 3.0 Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in other corporations to ensure diligent and efficient performance of their responsibilities to the Corporation.

Section 4.0 Duties and Responsibilities of the Board

4.1 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 interest of its stockholders and other

stakeholders.

- a. The Board of Directors is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.
- b. The Board should establish the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the mechanisms for effective monitoring of the Management's performance.
- c. A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity, and fairness.
- d. The Board shall create specific Board Committees as may be necessitated by the complexity the operations of the Corporation.

4.2 Specific Duties and Functions

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall:

- a. Adopt a process of selection that encourages diversity and ensures a mix of competent directors and officers, without regard to gender, race, or religion;
- b. Oversee the implementation of compensation plans and professional development programs for officers and succession planning for senior management;
- c. Oversee Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies and periodically evaluate Management's overall performance;
- d. Ensure that the Corporation complies with all relevant laws, regulations and endeavor to adopt best business practices;
- e. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations and oversee Management's formulation and implementation of the Corporation's policy on communicating or relating with them through an effective investor relations program and other appropriate communication programs;
- f. Adopt a system of check and balance within the Board, which should be regularly reviewed for effectiveness;
- g. Provide oversight with regard to enterprise risk management;

- h. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
 - i. Ensure that the Corporation establishes appropriate policies and procedures in accordance with this Revised Manual and applicable laws and regulations, including, but not limited to, conflict of interest and related party transactions;
 - j. Constitute Board Committees, that it deems necessary to assist the Board in the performance of its duties and responsibilities;
 - k. Consider the creation and maintenance of an alternative dispute resolution system in the Corporation that can amicably settle differences or conflicts between the Corporation and its stockholders, if applicable;
 - l. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing law, rules and regulation; and
- 4.3 The positions of Chairman of the Board and President should as much as practicable be held by separate individuals and each should have clearly defined responsibilities.
- 4.4 The Board shall consider designating a lead director among the independent directors if the Chairman of the Board is not independent and if the positions of the Chairman of the Board and President 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 the non-executive directors; and
 - c. Contributes to the performance evaluation of the Chairman, as required.
- 4.5 All directors shall undergo relevant and continuing training for a duration equal to or longer than what is required by law and regulations. First time directors shall undergo an orientation program covering SEC mandated topics on corporate governance and an introduction to the Corporation's business, Articles of Incorporation, and Code of Conduct. It should be able to meet the specific needs of the Corporation and the individual directors and aid any new director in effectively performing his or her functions.

The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Corporation.

4.6 Chairman of the Board

In addition to the duties provided in the By-Laws of the Corporation, the responsibilities of the Chairman in relation to the Board shall include the following:

- a. Makes certain that the meeting agenda focuses on strategic matters, including the over-all risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/ followed up on.

4.7 Board Assessment

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. The Corporate Governance Committee shall oversee the assessment/evaluation process.

Every three years, as far as practicable, the assessment may be supported by an external facilitator. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization appointed by the Board.

The Board assessment system shall provide a criteria and process to determine the performance of the Board, individual directors and committees. The system shall allow for a feedback mechanism from shareholders.

- 4.8 The Board shall adopt a formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. Its process of identifying the quality of directors should all be aligned with the strategic direction of the Corporation.
- 4.9 The Board shall adopt a Code of Business Conduct Ethics, to provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in external and external dealings. The Code shall be properly disseminated to the Board, Senior Management and employees. It shall be disclosed and made available to the public through the Corporation's office. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

Effective communication channels must be provided to aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior without fear of retribution. The Corporation's ethics policy shall be made effective and inculcated in the Corporation culture through communication and awareness campaigns, continuous training to reinforce the Code, strict monitoring and implementation.

Section 5.0 Specific Duties and Responsibilities of a Director

A Director's office is one of trust and confidence. As such, a Director must act in the best interests of the Corporation in a manner characterized by transparency, accountability, and fairness. A Director shall exercise leadership, prudence, and integrity in directing the Corporation's affairs.

A Director shall observe the following principles and norms of conduct:

- a. Conduct fair business transactions to ensure that personal interest does not conflict with that of the corporation. The basic principle to be observed is that a Director should not use the position to profit or gain some benefit or advantage for himself or herself and/or his or her related interests. A Director should avoid situations that may compromise impartiality. If an actual or potential conflict of interest arises, he or she should fully and immediately disclose it and should not participate in the decision-making process as to whether or not to approve the matter giving rise to the conflict. A Director who has a continuing material conflict of interests should seriously consider resigning, and may be asked to resign from his or her position;
- b. Devote time and attention necessary to perform the duties and responsibilities of a Director. A Director should devote sufficient time to familiarize himself or herself with the Corporation's business. He or she should be constantly aware of and knowledgeable with the

- Corporation's operations to enable him or her to meaningfully contribute to the Board's work. He or she 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 must view each situation objectively, and if disagreement arises, evaluate and explain his or her position, regardless of unpopularity. A Director should support plans and ideas which, in his or her appraisal, may be beneficial to the Corporation. A Director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness. Each Director shall undergo initial onboarding training and continuing professional training (formal and informal) to keep him or her updated on relevant laws, regulations and various business risks relevant to the Corporation. The Compliance Officer shall ensure that Directors and corporate officers shall be updated on their corporate duties and responsibilities, on current relevant laws, rules and jurisprudence, and best business practices;
 - e. Have a working knowledge of statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-laws; and
 - f. Observe confidentiality A Director should keep secure and confidential all non-public information he may acquire or learn by reason of his or her position as Director. He or she should not reveal confidential information to unauthorized persons without the authority of the Board.

Section 6.0 Strengthening the Internal Control System and Enterprise Risk Management (ERM) Framework

The Corporation shall have an adequate and effective internal control system and enterprise risk management framework.

Internal Controls Responsibilities of the Corporation

- a. The control environment of the Corporation consists of:
 - i. The Board which ensures that the Corporation is properly managed and effectively supervised;
 - ii. The Management that actively manages and operates the Corporation in a sound and prudent manner;
 - iii. The organizational and procedural controls supported by effective management information and risk management reporting systems; and
 - iv. An independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's financial reporting, 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, confidential information, and compliance with laws, rules, regulations and contracts.

- b. The Board's internal control mechanisms for the Board's oversight responsibility may include:
 - i. Definition of the duties and responsibilities of the President who is ultimately accountable for the Corporation's organizational and operational controls;
 - ii. Selection of a President who possesses the ability, integrity and expertise essential for the position;
 - iii. Establishment by the Corporation of an internal audit system that can reasonably assure the Board, Management, and stockholders that the Corporation's key organizational and operational controls are appropriate, adequate, effective, and complied with;
 - iv. Selection and appointment of proposed senior management officers; and
 - v. Review of the Corporation's personnel and human resource policies and sufficiency, conflict of interest situations, changes in the compensation plan for employees and succession plan for officers and management.

6.1 The Corporation shall have in place an independent internal audit function that provides independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations. The following are the functions of the internal audit group among others:

- i. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of governance and control processes in (1) promoting the right value and ethics; (2) ensuring effective performance management and accounting in the organization; (3) communicating risk and control information; and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- ii. Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- iii. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- iv. Performs compliance and audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- v. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation;

- vi. 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;
 - vii. Evaluates specific operations at the request of the Board or Management, as appropriate; and
 - viii. Monitors and evaluates governance processes.
- 6.2 The Board shall appoint an **Internal Auditor** to oversee and be responsible for the internal audit activity of the organization.

The following are the responsibilities of the Internal Auditor, among others:

- a. Periodically reviews the internal audit charter and presents it to Senior Management and the Audit Committee for Approval;
 - b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
 - c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to Senior Management and the Audit Committee for review and approval;
 - d. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
 - e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
 - b. Presents findings and recommendations to the Audit Committee and gives advice to Senior Management and the Board on how to improve internal processes.
- 6.3 The Corporation shall have a separate risk management function to identify, assess and monitor key risk exposures.

The risk management function involves the following activities, among others:

- a. Defining a risk management strategy;
- b. Identifying and analyzing key risk exposures relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c. Evaluating and categorizing each identified risk using the Corporation's predefined risk categories and parameters;
- d. Establishing a risk register with clearly defined, prioritized and residual risks;
- e. Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy;
- b. Communicating and reporting significant risk exposures including business risks (e.g. strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and

- c. Monitoring and evaluating the effectiveness of the organization's risk management processes.
- 6.4 The Corporation shall appoint a **Chief Risk Officer (CRO)** to manage its ERM System. The CRO shall have the following functions among others:
- a. Supervises the entire Risk Management process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
 - b. Communicates top risks and the status of the implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
 - c. Collaborates with the President in updating and making recommendations to the Board Risk Oversight Committee;
 - d. Suggests ERM policies and related guidance, as may be needed; and
 - e. Provides insights on the following:
 - i. Risk management processes are performing as intended;
 - ii. Risk measures reported are continuously reviewed by risk owners for effectiveness; and Established risk policies and procedures are being complied with.

Section 7.0 Qualifications of Directors

- 7.1 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 Corporation. 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. Have a practical understanding of business in general and of the business of the Corporation, in particular.
- 7.2 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.

Section 8.0 Disqualification of a Director

- 8.1 Permanent Disqualification
- a. 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;

- i. an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
 - ii. 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 Corporation, investment house, or as an affiliated person of any of them; or
 - iii. having wilfully violated, or wilfully 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 Corporation, investment house, or investment Corporation;
 - iii. engaging in or continuing any conduct or practice in any of the capacities mentioned in sub- paragraphs (1) and (2) 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 (2) has otherwise been restrained to engage in any activity involving securities and banking or (3) is currently the subject or 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;
- 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.

8.2 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 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 Corporation, 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.

8.3 Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Corporation and ensure that his personal interest does not conflict with the interest of the Corporation;
- b. To devote time and attention necessary to properly discharge and effectively perform his duties and responsibilities;
- c. To act judiciously;

- d. To exercise independent judgment;
- e. The non-executive directors of the Board should concurrently serve as directors to an optimum number of publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation.
- b. In this regard, a Director should notify the Board before accepting a directorship in another Corporation.
- c. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;
- d. To observe confidentiality of information; and
- e. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

Section 9.0 Compensation of Directors

Each director shall receive a reasonable per diem for his attendance at every meeting of the Board. Subject to the approval of the stockholders owning at least a majority of the outstanding capital stock, directors may also be granted such compensation (other than per diems) provided however, that the total yearly compensation of directors, as such directors, shall not exceed ten (10%) percent of the net income before income tax of the Corporation during the preceding year.

Section 10.0 The Management

The Management is represented by a Management Committee (MANCOM) composed of corporate officers and executives formed and headed by the President. All principal policies and directions governing the organization, management and operation of the Corporation as well as its subsidiaries shall be formulated and implemented by this Committee, subject to Board approval when required by existing laws. The Committee shall regularly report to the Board at its regular Board meeting, or during special meeting whenever necessary or requested by the Board, through the President, on all matters concerning the Corporation's operation as well as significant events or occurrences affecting the Corporation.

Section 11.0 Duties and Responsibilities of the President

The President's roles and responsibilities among others shall include:

- a. To preside at the meetings of the Board of Directors and of the stockholders in the absence of the Chairman;
- b. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;

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

Section 12.0 The Corporate Secretary

The Corporate Secretary is an officer of the Corporation and is expected to observe the highest degree of professionalism, integrity, and diligence. The Corporate Secretary must be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on Corporate Governance.

11.1 Qualifications of the Corporate Secretary;

- a. The Corporate Secretary shall be a resident Filipino citizen of good moral character.
- b. He/she shall have adequate legal, administrative, and interpersonal skills.

11.2 Duties and responsibilities of the Corporate Secretary.

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

- a. Assists the Board and the board committees in the conduct of their meetings, 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. Safe keeps 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 on relevant laws, regulations, all governance issuances, relevant 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 stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- 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 working days in advance, 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/her 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 SEC.

Section 13.0 Compliance Officer

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

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

- a. Ensures proper on boarding of new directors (i.e., orientation on the Corporation'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, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports violations of the aforementioned rules to the Board and recommends the imposition of appropriate disciplinary action;
- f. Ensures the integrity and accuracy of all documentary submissions to regulators;
- g. Appears before the SEC when summoned in relation to compliance with the Code;
- h. Collaborates with other departments to properly address compliance issues; which may be subject to investigation;
- i. Identifies possible areas of compliance issues and works towards the resolution of the same;

- j. Ensures the attendance of board members and key officers to relevant trainings; and
- k. Performs such other duties and responsibilities as may be provided by the SEC.

Section 14.0 External Auditor

- 14.1 The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.
- 14.2 The external auditor of the Corporation should not at the same time provide the services of an internal auditor.
- 14.3 The Corporation's external auditor should be rotated or the handling partner should be changed every five (5) years or earlier.
- 14.4 The reason(s) for the resignation, dismissal or cessation from service of an external auditor and the date thereof shall be reported in the Corporation's annual and current reports. Said report should include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- 14.5 If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

BOARD COMMITTEES

The Board of Directors shall form Board Committees to aid in ensuring compliance with the principles of good corporate governance. The members of such Committees shall be appointed by the Board of Directors annually.

All committees to be established shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees. It should be fully disclosed on the Corporation's website.

Section 15.0 Corporate Governance Committee

The Corporate Governance (the "CG") Committee is responsible for assisting the Board of Directors of the Corporation in fulfilling its oversight responsibilities in relation to:

- 1. Ensuring compliance with the proper observance of corporate governance principles and practices the overall approach to corporate governance of the Corporation and the implementation of corporate governance framework and policies

2. the size, composition and structure of the Board and its committees;
3. the periodic performance evaluation of the Board, the committees and management of the Corporation.
4. orientation and continuing education for directors;
5. adopting a nomination process and procedure for Board membership and senior leadership roles in the Corporation and set up a review process of various compensation matters;
6. identifying and selecting qualified individuals as candidates to become members of the Board;
7. any additional matters delegated to the Corporate Governance Committee by the Board.

15.1 Membership Composition

1. The CG Committee shall be composed of three (3) directors.
2. The members of the CG Committee may be removed by a majority vote of the directors. Any vacancies in the CG Committee shall be filled by majority vote of the Board.
3. The CG Committee may form and delegate authority to subcommittees as may be appropriate and in accordance with applicable laws or regulations.

15.2 Duties and Responsibilities

The CG Committee shall have the following duties and responsibilities:

1. 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;
2. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
3. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
4. Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession planning, for the board members and senior officers, and remuneration packages for corporate and individual performance;
5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
6. Determines the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of board members that the Corporation may need and ensuring appropriate

- knowledge, competencies and expertise that complement the existing skills of the Board;
7. Oversee the formulation of the compensation and retirement philosophy as well as study and evaluate the appropriate compensation, retention, and retirement policies and programs for the officers of the Corporation as appointed in accordance with the Corporation's By-Laws, as well as managers or executives with the rank of assistant vice president and up; and
 8. Review management succession plan.

15.3 Meetings of the Committee

1. Frequency of Meetings

The CG Committee shall meet at least two (2) times a year to discharge its duties and responsibilities as outlined herein. In addition to regular meetings, special meetings can be called by the chairman of the CG Committee or any two members as necessary.

2. Notice of Meetings

The notice of the CG Committee meetings shall be given at five (5) business days prior to the scheduled meeting.

Notices for special meetings may be sent at least two (2) business days before the date of the special meeting.

Notices may be sent in writing, through electronic mail, or by telefacsimile, among others.

3. Agenda

The CG Chairman, in consultation with the other members of the committee, shall propose a list of items to be addressed by the CG Committee during the year. The chairman shall ensure that the agenda for each Committee meeting is circulated to each member of the CG Committee together with the Notice of the meeting and the presentation materials shall be circulated two (2) days prior to the date of actual meeting.

4. Quorum and Voting

A majority of all the members of the CG Committee present in person or by means of a video-conference, teleconference, or other modes of communication in which all persons participating in the meeting can completely and clearly hear each other shall constitute a quorum. The members participating in the meeting shall have received the agenda and all the materials for the meeting in accordance with the Board Charter of the Corporation.

The majority vote of the voting Members shall be required for the committee to approve, authorize, or take any action. The CG Committee may refer to the full Board for consideration any matter which fails to be approved by a majority vote of all voting Committee Members.

5. Secretary

The incumbent Corporate Secretary of the Corporation shall act as the secretary of the CG Committee.

6. Minutes

All Committee meetings must be duly documented and filed, and shall be maintained with the books and records of the Corporation. The minutes of the CG Committee meetings must be available for review and approval not more than five (5) business days after the meeting and for signature at the next committee meeting.

7. Per Diems

The CG Committee members shall be entitled to per diems for every attendance to a Committee meeting.

15.4 Reporting

The CG Committee shall regularly report to the Board on all significant matters that are within its responsibilities.

15.5 Assessment of the Performance of the Committee

The Board shall provide the standards for evaluating the performance and effectiveness of the CG Committee in fulfilling its duties and responsibilities as set out in this Charter and in the Corporation's Manual on Good Corporate Governance.

15.6 Review

The CG Committee shall review this Charter at least annually and submit to the Board for approval any amendments thereof.

Section 16.0 Board Risk Oversight Committee

The Board Risk Oversight Committee (the "BROC") is responsible for the oversight of the company's Enterprise Risk Management ("ERM") system to ensure its functionality and effectiveness. The BROC has the responsibility to assist the Board of Directors (Board) in ensuring that there is an effective risk management process in place to ensure that well-informed decisions are made after taking into consideration the risks involved.

16.1 Membership Composition

1. The BROC shall be composed of at least three (3) members of the Board.
2. At least one member of the BROC must have relevant thorough knowledge and experience on risk and risk management.
3. The BROC shall plan for succession for due consideration of the Corporate Governance Committee. Such plan may consider among other things the continuity of the BROC's work and the orderly transfer of accumulated knowledge.
4. The members of the BROC may be removed by a majority vote of the directors. Any vacancies in the BROC shall be filled by majority vote of the Board.
5. The BROC may form and delegate authority to subcommittees as may be appropriate and in accordance with applicable laws or regulations.

16.2 Duties and Responsibilities

The BROC shall have the following duties and responsibilities:

1. Develop a formal ERM plan containing the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
2. Oversee the implementation of the ERM plan through the BROC. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
3. Review the appointment or replacement of the Chief Risk Officer (CRO) who shall functionally report to the BROC and ensure effectiveness of the Company's risk management framework. The CRO shall oversee risk management activities and shall report and discuss with the BROC about the Company's significant or major risk exposures, if any, and the steps taken by Management to manage and monitor such risks.
4. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC 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;
5. Advise the Board on its risk appetite levels and risk tolerance limits;
6. Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
7. 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 economic and business environment, and when major events occur that are considered to have major impacts on the company;
8. 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
 9. 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.

16.3 Meetings of the BROC

1. Frequency of Meetings

The BROC shall meet at least two (2) times a year to discharge its duties and responsibilities as outlined herein. In addition to regular meetings, special meetings can be called by the chairman of the BROC or any two members as necessary.

2. Notice of Meetings

The notice of the BROC meetings shall be given at five (5) business days prior to the scheduled meeting.

Notices for special meetings may be sent at least two (2) business days before the date of the special meeting.

Notices may be sent in writing, through electronic mail, or by telefacsimile, among others.

3. Agenda

The Chairman, in consultation with the other members of the BROC, shall propose a list of items to be addressed by the BROC during the year. The chairman shall ensure that the agenda for each BROC meeting is circulated to each member of the BROC together with the Notice of the meeting and the presentation materials shall be circulated two (2) days prior to the date of actual meeting.

4. Quorum and Voting

A majority of all the members of the BROC present in person or by means of a video-conference, teleconference, or other modes of communication in which all persons participating in the meeting can completely and clearly hear each other shall constitute a quorum. The members participating in the meeting shall have received the agenda and all the materials for the meeting in accordance with the Board Charter of the Corporation.

The majority vote of the voting Members shall be required for the BROC to approve, authorize, or take any action. The BROC may refer to the full Board for consideration any matter which fails to be approved by a majority vote of all voting BROC Members.

5. Secretary

The incumbent Corporate Secretary of the Corporation shall act as the secretary of the BROC.

6. Minutes

All BROC meetings must be duly documented and filed, and shall be maintained with the books and records of the Corporation. The minutes of the BROC meetings must be available for review and approval not more than five (5) business days after the meeting and for signature at the next committee meeting.

7. Per Diems

The BROC members shall be entitled to per diems for every attendance to a committee meeting.

16.4 Reporting

The BROC shall regularly report to the Board on all significant matters that are within its responsibilities.

16.5 Assessment of the Performance of the BROC

The Board shall provide the standards for evaluating the performance and effectiveness of the BROC in fulfilling its duties and responsibilities as set out in this Charter and in the Corporation's Manual on Good Corporate Governance.

16.6 Review

The BROC shall review this Charter at least annually and submit to the Board for approval any amendments thereof.

Section 17.0 *Audit Committee*

The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Audit Committee's roles are to:

- a. support the Board of Directors in meeting its responsibilities to shareholders;
- b. enhance the independence of the external auditor;
- c. facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;
- d. Increase the credibility and objectivity of the Company's financial reports and public disclosure.

The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of

internal controls following the execution of the Committee's responsibilities as described herein.

The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

17.1 Membership Composition

1. The Committee shall be composed of at least three (3) members of the Board, preferably with relevant background, knowledge, skills, and/or experience in the areas of accounting and finance, one of whom shall be the Independent Director. The Chairman shall be an Independent Director. Each member shall have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.
2. The Committee shall plan for succession for due consideration of the and Corporate Governance Committee. Such plan may consider among other things the continuity of the Committee's work and the orderly transfer of accumulated knowledge.
3. The members of the Committee may be removed by a majority vote of the directors. Any vacancies in the Committee shall be filled by majority vote of the Board.
4. The Committee may form and delegate authority to subcommittees as may be appropriate and in accordance with applicable laws or regulations.

17.2 Authority

The Committee shall have the authority, duties and responsibilities as set out herein and such other duties and powers as may be delegated to the Committee by the Board.

In the performance of its duties and responsibilities, the Committee is empowered to:

1. Have resources and authority appropriate to discharge its responsibilities as set out in this Charter, including the authority to engage external auditors for special audits, reviews and other procedures and to obtain advice from special counsel and other experts or consultants to assist in the conduct of investigation, without need for Board approval;
2. Seek any information it may require from any employee, director, agent or advisor and all such persons will be directed to cooperate with the request made by the Committee;
3. Meet separately with any officer of the Corporation, the Internal Auditor and/or external auditors or outside counsel to discuss any matter that

- the Committee or any of the foregoing persons or firms believe should be discussed privately; and
4. Resolve any disagreements between Management and the auditors regarding financial reporting.

17.3 Duties and Responsibilities

The duties and responsibilities of the Audit Committee include:

1. Assisting 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;
2. Perform oversight functions over the Corporation's internal and external auditors. It should ensure that 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;
3. Organize an internal audit department and consider the appointment of an independent internal auditor as well as consider an independent external auditor, and the terms and conditions of their engagement and removal;
4. Approving and Recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the Corporation website and required disclosures;
5. Assessing the integrity and independence of external auditors and exercising effective oversight in reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process
6. recommending to the Board of Directors the compensation of the external auditor;
7. Review and approve the annual internal audit plan to support the attainment of the objectives of the Corporation. The plan shall include the audit scope, resources, and budget necessary to implement it;
8. reviewing the external auditor's audit plan, fee schedule and any related services proposals;
9. approving the appointment and removal of the internal auditor;
10. overseeing the work of the internal auditor;
11. overseeing the work of the external auditor;
12. ensuring that the external auditor meets the rotation requirements for partners and staff on the Company's audits;
13. reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the

- external auditor's written communications to the Committee and to management;
14. reviewing the external auditor's report, audit results and financial statements prior to approval by the Board of Directors;
 15. Review the quarterly financial statements before their submission to the Board, with 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
 16. reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to Board approval and dissemination of financial statements to shareholders and the public;
 17. reviewing financial statements, Management Discussion & Analysis (MDA) and annual and interim earnings press releases prior to public disclosure of this information;
 18. ensuring adequate procedures are in place for review of all public disclosure of financial information by the Company, prior to its dissemination to the public;
 19. overseeing the adequacy of the Company's system of internal accounting controls and internal audit process and obtaining from the external auditor summaries and recommendations for improvement of such internal controls and processes;
 20. reviewing the terms and conditions of any acquisition of corporate control or extraordinary transaction, with the assistance of an independent financial adviser.
 21. ensuring the integrity of disclosure controls and internal controls over financial reporting;
 22. resolving disputes between management and the external auditor regarding financial reporting;
 23. establishing procedures to deal with complaints and concerns, from employees and others, regarding questionable accounting, internal accounting controls or auditing practices;
 24. reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
 25. pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor; and
 26. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external

auditor and to the Corporation's overall consultancy expenses. The Audit 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;

27. Overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities.

The Audit Committee will report, at least quarterly, to the Board regarding the Committee's examinations and recommendations.

17.4 Meetings of the Committee

1. Frequency of Meetings

The Committee shall meet at least four (4) times a year to discharge its duties and responsibilities as outlined herein. In addition to regular meetings, special meetings can be called by the chairman of the Committee or any two members as necessary.

2. Notice of Meetings

The notice of the Committee meetings shall be given at five (5) business days prior to the scheduled meeting.

Notices for special meetings may be sent at least two (2) business days before the date of the special meeting.

Notices may be sent in writing, through electronic mail, or by telefacsimile, among others.

3. Agenda

The Chairman, in consultation with the other members of the Committee, shall propose a list of items to be addressed by the Committee during the year. The Chairman shall ensure that the agenda for each Committee meeting is circulated to each member of the Committee together with the Notice of the meeting and the presentation materials shall be circulated two (2) days prior to the date of actual meeting.

4. Quorum and Voting

A majority of all the members of the Committee present in person or by means of a video-conference, teleconference, or other modes of communication in which all persons participating in the meeting can completely and clearly hear each other shall constitute a quorum. The members participating in the meeting shall have received the agenda and all the materials for the meeting in accordance with the Board Charter of the Corporation.

The majority vote of the voting Members shall be required for the Committee to approve, authorize, or take any action. The Committee may

refer to the full Board for consideration any matter which fails to be approved by a majority vote of all voting Committee Members.

5. Secretary

The incumbent Corporate Secretary of the Corporation shall act as the secretary of the Committee.

6. Minutes

All Committee meetings must be duly documented and filed, and shall be maintained with the books and records of the Corporation. The minutes of the Committee meetings must be available for review and approval not more than five (5) business days after the meeting and for signature at the next committee meeting.

7. Per Diems

The Committee members shall be entitled to per diems for every attendance to a Committee meeting.

17.5 Reporting

The Audit Committee shall regularly report to the Board on all significant matters that are within its responsibilities.

17.6 Assessment of the Performance of the Committee

The Board shall provide the standards for evaluating the performance and effectiveness of the Committee in fulfilling its duties and responsibilities as set out in this Charter and in the Corporation's Manual on Good Corporate Governance.

17.7 Review

The Committee will review this Charter at least annually and submit to the Board for approval any amendments thereof.

II. SUPPLY OF INFORMATION

All directors should be provided with complete, adequate and timely information about the matters to be taken up in their meetings and which would enable them to discharge their duties.

Management is responsible for providing the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board will make further inquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

The directors, either individually or as a group, in the performance of their duties may seek independent professional advice within the guidelines set by the Board.

Full agenda and comprehensive Board papers are to be circulated to all directors well in advance of each Board meeting.

Full Board minutes of each Board meeting are kept by the Corporate Secretary and are available for inspection by any director during office hours.

III. DISCLOSURE AND TRANSPARENCY

Corporation Disclosure Policies and Procedures

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to the shareholders and other stakeholders that gives a fair and complete picture of a Corporation's financial condition, results and business operations in accordance with the disclosure and reporting requirements of the SEC and other regulators.

The Corporation shall have a policy requiring all directors and officers to disclose/report to the Corporation through the Compliance Officer any dealings in the Corporation's shares within three business days.

The Corporation shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. This includes directors and key officers' qualifications, share ownership in the Corporation, membership in other boards, other executive positions, and corporate governance trainings attended.

The Corporation shall provide a clear disclosure of 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. Remuneration shall as much as practicable be on an individual basis, including termination and retirement provisions.

The Corporation shall disclose its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions. The material or significant RPTs reviewed and approved during the year shall be disclosed in its Annual Corporate Governance Report.

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

The Corporation shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

IV. COMMUNICATIONS

This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days. A representative of any juridical stockholder seeking to conduct such an inspection must be duly authorized by a Secretary's Certificate for the purpose.

The Board and management are tasked to ensure the thorough dissemination of this Manual to all employees and personnel, and to enjoin compliance in the process.

A copy of this Manual is posted on the company's online bulletin board and on the Company's website.

The Corporation should include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material, and relevant information to its stockholders and stakeholders. The Corporation's corporate governance policies, programs, and procedures should be contained in its Manual, which shall be posted on the Corporation's website.

V. ACCOUNTABILITY AND AUDIT

The Board shall ensure that stockholders are provided 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.

Management should formulate the rules, procedures on internal controls, and financial operations for presentation to the Audit Committee and the Board Risk Oversight Committee in accordance with the following guidelines:

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

- d. The Corporation should consistently comply with the financial reporting requirements of the SEC.

VI. INVESTORS' RIGHTS AND PROTECTION

Shareholders' Rights and Protection

The Board commits to treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. These rights relate to the following among others:

Section 1.0 Voting Right

- 1.1. Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- 1.2 Cumulative voting shall be used in the election of directors.

Section 2.0 Pre-emptive Right

Unless otherwise stated in the Articles of the Incorporation or the Corporation Code of the Philippines, all stockholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares in proportion to their respective shareholdings.

Section 3.0 Right of Inspection

Any stockholder who desires to exercise his right to inspect corporate books and records of the Corporation must make a written request addressed to the Corporate Secretary, and stating the specific reason(s) or purpose(s) for the inspection. The exercise of such right may be denied if:

- a. the requesting stockholder improperly used information obtained from prior examination; or,
- b. is not acting in good faith; or,
- c. there is a reasonable ground to safeguard the interests of the Corporation, such as when the subject of inspection contains confidential or proprietary information or covered by a confidentiality or nondisclosure obligation which will be violated by the Corporation if inspection were allowed. In no case shall the stockholder be allowed to take corporate books and other records out of the principal office of the Corporation for the purpose of inspecting them. The Corporate Secretary may elevate the request for inspection for the information, approval, or other appropriate action by the Board. This Revised Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

Section 4.0 Right to Information

Stockholders shall be provided, upon request, with periodic reports filed by the Corporation with the SEC (e.g., proxy statement/information statement and annual report) which disclose personal or professional information about the

Directors and Officers such as their educational and business background, holdings of the Corporation's shares, material transactions with the Corporation, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

Section 5.0 Right to Dividends

- 5.1 Stockholders shall have the right to receive declared dividends subject to the procedures prescribed by the Board.
- 5.2 The Corporation shall be compelled to declare dividends when its retained earnings exceed 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.

Section 6.0 Appraisal Right

The stockholders shall have appraisal right under any of the following circumstances:

- a. 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 aspect superior to those of outstanding shares of any class, or of extending or reducing the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the property and assets of the Corporation;
- c. In case of merger or consolidation; and
- d. Investment of funds in any other corporation or business or for any purpose other than the primary purpose for which the Corporation was organized.

Section 7.0 Right to Transparent and Fair Conduct of Stockholders' Meeting

The Board shall afford stockholders the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting. The Board shall also adopt appropriate measures to ensure that stockholders' meetings are conducted in a fair and transparent

manner.

The Board shall encourage active shareholders' participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 working days before the meeting. Shareholders unable to personally attend such meetings, should be advised ahead of time of their right to appoint a proxy on their behalf.

Subject to the requirements of law, rules and regulations, the By-Laws of the Corporation and the rules approved by the Board, the validity of a proxy should be resolved in favor of the stockholder. It shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. The directors shall envisage the exercise of stockholders' voting rights and the solution of problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person.

The Board shall encourage active shareholder participation by making the 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 Corporation website within five business days from the end of the meeting.

The Board shall adopt and make available at the option of a shareholder, an established alternative dispute resolution (ADR) mechanism to resolve intra-corporate disputes in an amicable and effective manner.

The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.

VII. RESPECT FOR STAKEHOLDERS' RIGHTS AND EFFECTIVE REDRESS FOR VIOLATIONS THEREOF

The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability.

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

The Board shall adopt a transparent framework and process that allows stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights. Stakeholder engagement touch points in the Corporation such as the Investor Relations Office, Office of the Corporate Secretary, Customer Relations Office, and Corporate Communications Group shall be strengthened.

The Board shall adopt policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance. In order to encourage employee participation, the Corporation

shall conduct regular general assemblies, department meetings, and gatherings to develop an environment of open communication between the management and the employees.

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy (encompassing corrupt practices such as, but not limited to, bribery, fraud, extortion, collusion, conflict of interest and money laundering) and program in its Code of Conduct. This shall be disseminated to employees across the organization.

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 a unit created to handle whistleblowing concerns. The Board shall conscientiously supervise and ensure enforcement of the framework.

Section 1.0 Communication and Training Process

- 1.1 All Corporation directors and executives are tasked to ensure the thorough dissemination of this Revised Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- 1.2 Funds will be allocated by the Corporation for the purpose of conducting an orientation program or workshop to operationalize this Revised Manual.
- 1.3 A director shall, before his assumption of duty, be required to attend a seminar on corporate governance which shall be conducted by a recognized and reputable training provider.

Section 2.0 Governance Rating System

The Board shall develop a rating system to measure the performance of the Board and Management in accordance with the criteria provided in this Revised Manual and other rules and regulations on good corporate governance.

Section 3.0 Penalties for Non-Compliance with the Manual of Good Corporate Governance

- 3.1 The Compliance Officer shall be specifically tasked with the responsibility of ensuring compliance with the Manual of Good Corporate Governance.
- 3.2 The Compliance Officer shall, after proper investigation, notice and hearing, determine and recommend to the Board, the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent repetition of the violation.

VIII. SUSTAINABILITY AND SOCIAL RESPONSIBILITY

More than just attaining its financial objectives, the Corporation shall endeavor to achieve sustainability by creating shared value for its customers, stakeholders, and the community.

The Corporation shall adopt practices that will have a positive social and environmental impact on the local community. In its business

dealings, insofar as practicable, the Corporation shall give priority to local entrepreneurs and suppliers, and locally made goods and materials.

The Corporation shall also promote innovation within the Company in order to achieve not only better operational efficiencies, but also reduce its overall carbon footprint and emissions, which in turn will benefit its customers and society as a whole.

IX. 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 the SEC and this Manual, the Code shall prevail. If the conflict is such that the affected provision of this Revised Manual is rendered invalid, the rest of the revisions of this Revised Manual shall remain valid.

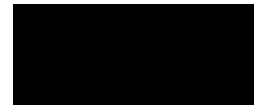
X. EFFECTIVITY

The **Amended Manual** was approved on **20 June 2025** by the Board of Directors. It shall be published by the Corporation and shall take effect immediately.

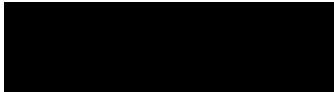
Signed:



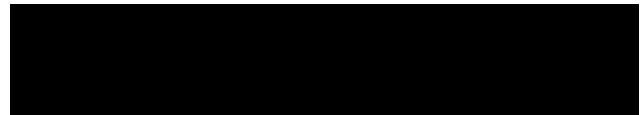
ENGR. VIVENCIO M. ROMERO, JR.
Chairman of the Board



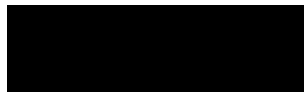
ENGR. VITUS M. ROMERO
Director/President



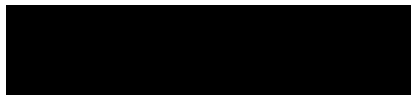
MR. VENUS M. ROMERO
Director/Vice-President



MS. MARIA VICTORIA R. SAN PASCUAL
Director



ENGR. MIRIAM S. GALVEZ
Independent Director



MS. FLORIZA D. FORLALES
Compliance Officer