

Alsons Insurance and Reinsurance Brokers Corporation  
New Manual on Corporate Governance  
(In compliance with the Insurance Commission's Circular Letter ("CL") N° 2020-71)

**Definition of Terms**

"Board" or "Board of Directors" is the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties.

"CAE" means the Chief Audit Executive.

"CEO" means the Chief Executive Officer.

"Company" is the Alsons Insurance and Reinsurance Brokers Corporation

"Corporate Governance", according to CL N° 2020-71, is the system of: (a) stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their Stakeholders; and (b) direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior Management accountable for ensuring ethical behavior, reconciling long-term customer satisfaction with Shareholder value, to the benefit of all Stakeholders and society, the purpose of which is to maximize the organization's long-term success, creating sustainable value for its Shareholders, Stakeholders and the nation.

"CRO" means the Chief Risk Officer.

"Director" is the individual stockholder who is elected by the stockholders to serve as such in the Board.

"Enterprise Risk Management", or "ERM", according to CL N° 2020-71, is a process, effected by the Board of Directors, Management, and other personnel, applied in strategy setting and across the Company that is designed to identify potential events that may affect the Company, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of the Company's objectives.

"Independent Director", according to CL N° 2020-71, is a Director who is independent of Management and the controlling Shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director.

"Internal Control", according to CL N° 2020-71, is 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 the Company's objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the Company's policies and procedures.

"Management", according to CL N° 2020-71, is the group of executives given the authority by the Board of Directors to implement the Board's policies in the conduct of the business of the Company.

"Non-Executive Director", or "NED", according to CL N° 2020-71, is a Director who has no executive responsibility and does not perform any work related to the operations of the Company.

"Related Party", according to CL N° 2020-71, is: (a) any of the Company's subsidiaries, or affiliates, and any party (including their subsidiaries, affiliates and special purpose entities), that the Company exerts direct or indirect control over, or that exerts direct or indirect control over the Company; (b) the Company's Directors; officers; Shareholders, and related interests, and their close family members, and corresponding persons in affiliated companies. This term shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company.

"Related Party Transaction", or "RPT", according to CL N° 2020-71, is a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged, and includes a transaction with a Related Party, one entered into with an unrelated party that subsequently becomes a Related Party.

"Shareholder" is an owner of a share of stock in the Company.

"Stakeholder" is any individual, organization, or society at large who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general, and includes, among others, customers, creditors, employees, suppliers, investors, and the government and community in which the Company operates.

## Principles and Activities

### A. The Board's Governance Responsibilities

#### 1. Establishing a Competent Board –

- 1.1 The Board shall be composed of Directors with a collective working knowledge, experience, or expertise that is relevant to the Company's industry/sector. The Board shall have an appropriate mix of competence and expertise. Directors shall remain qualified for their positions individually and collectively, to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.
- 1.2 The majority of the Board shall be composed of NEDs.
- 1.3 The Company hereby adopts a policy of training new and first time Directors, and providing them with an orientation program. The Company will provide relevant annual continuing training for all Directors.
- 1.4 The Board hereby adopts a Diversity Policy attached as Annex "A".
- 1.5 The Corporate Secretary shall assist the Board in its duties, but shall not be a Director; he or she shall receive training on Corporate Governance. Upon the Company's engagement of a qualified individual as Compliance Officer, the Corporate Secretary shall be a separate individual from the Compliance Officer.
- 1.6 The Compliance Officer shall have a rank of Vice President, or an equivalent position with adequate stature and authority in the Company. He or she will assist the Board in its duties, but shall not be a Director; he or she shall receive training on Corporate Governance.

#### 2. Establishing the Board's Roles and Responsibilities –

- 2.1 Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company.
- 2.2 The Board oversees the development of, and reviews and approves, the Company's business objectives and strategy, then monitors the implementation of the same in order to sustain the Company's long-term viability and strength.
- 2.3 A competent and qualified Chair shall head the Board.
- 2.4 The Board shall ensure, and adopt, an effective succession planning program for Directors, key officers and Management, and shall formulate a policy of on the retirement for Directors and key officers.
- 2.5 The Board shall formulate, and adopt, a policy specifying the relationship between remuneration and performance of key officers and Directors, and will align the remuneration of key officers and Directors with the long-term interests of the Company. The Directors shall not participate in discussions or deliberations involving his/her own remuneration.
- 2.6 The Board hereby adopts a formal and transparent Nomination and Election Policy attached as Annex "B", thereby disclosing the same in this Manual, which policy includes how the Company accepts nominations from minority Shareholders, how the board reviews nominated candidates, an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a Director, and is the process for identifying the quality of a Director that is aligned with the strategic direction of the Company.
- 2.7 The Board hereby adopts a group-wide RPT Policy attached as Annex "C", which is a system that governs RPTs and other unusual or infrequently occurring transactions, which policy: (i) includes the appropriate review and approval of material RPTs; (ii) guarantees fairness and transparency of the transactions; and (iii) and encompasses all entities within the Alcantara Group, taking into account their size, structure, risk profile and complexity of operations.
- 2.8 The Board is primarily responsible for approving the selection of Management led by the President and CEO, and the heads of the other control functions such as, if any, the CRO, chief compliance officer, and/or CAE, and for assessing the performance of Management.
- 2.9 The Board shall establish an effective performance management framework that ensures that the performance by Management and personnel, including that of the CEO, is at par with the standards set by the Board and Senior Management.

- 2.10 The Board shall oversee that an appropriate Internal Control system is in place, which system will include a mechanism for monitoring and managing potential conflict of interest of the Management, members and Shareholders, and approves, if any, the Internal Audit Charter.
- 2.11 The Board shall oversee that the Company has in place a sound ERM framework to effectively identify, monitor, assess and manage key business risks, which framework will guide the Board in identifying units/business lines and enterprise-level risk exposures, and the effectiveness of risk management strategies.
- 2.12 The Board understands that its “charter” is currently found in applicable laws, rules, regulations, and jurisprudence, and in the Company’s articles of incorporation and by-laws, as amended, and this Manual, all of which formalize and clearly state the Board’s roles, responsibilities, and accountabilities, in carrying out its fiduciary role, and which serve as a guide to the Directors in the performance of their functions. The Board’s charter is publicly available, and to the extent possible, posted on the Company’s website.
3. Establishing Board Committees –
  - 3.1 The Board’s Committees shall focus on specific functions to aid in the optimal performance of the Board’s roles and responsibilities.
  - 3.2 The Board’s shall establish an Audit Committee to enhance the Board’s oversight capability over the Company’s financial reporting, Internal Control system, internal and external audit processes, and compliance with applicable laws and regulations. The Audit Committee shall be composed of at least three appropriately qualified NEDs, the majority of whom are independent. All the members of the Audit Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chair of the Audit Committee should not be the Chair of the Board or of any other committee, and should be an Independent Director.
  - 3.3 The Board’s shall establish a Corporate Governance Committee to assist the Board in the performance of its Corporate Governance responsibilities, which Committee shall be composed of at least three members, a majority of whom, if possible, should be Independent Directors. The Chair of this Committee shall be an Independent Director.
  - 3.4 The Board shall establish, if possible, a separate Risk Oversight Committee that will be responsible for the oversight of the Company’s ERM system to ensure its functionality and effectiveness. This Committee shall be composed of at least three members, the majority of whom should be Independent Directors, including its Chair. The Chair should not be the Chair of the Board or of any other committee. At least one member of the Committee should have relevant thorough knowledge and experience on risk, and risk management.
  - 3.5 The Board shall establish, if possible, a RPT Committee, which will review all material RPTs of the Company. This Committee shall be composed of at least three NEDs, two of whom should be independent, including the Chair.
  - 3.6 Each established committee shall have a “charter” stating in plain terms the committee’s purpose, membership, structure, operation, reporting process, resources, standards for evaluating the performance of the committee, and other relevant information, which charter shall, once approved, shall be disclosed on the Company’s website.
4. Fostering Commitment –
  - 4.1 The Directors shall attend and actively participate in all meetings of the Board, Committees, and Shareholders either in person, or through teleconferencing or videoconferencing applications conducted in accordance with the rules and regulations of the Commission. They shall review all materials for the meetings, and ask the necessary questions or seek clarifications and explanations during the meetings.
  - 4.2 NEDs can serve only a maximum of five Insurance Commission Regulated Entities (ICREs) and publicly-listed companies. This ensures that they have sufficient time to fully prepare for meetings, challenge Management’s proposals, and/or views, and oversee the long-term strategy of the Company.
  - 4.3 The Directors shall notify the Board before accepting a directorship in another company.
5. Reinforcing Board Independence –
  - 5.1 If possible, 20% of the Board should be Independent Directors.

- 5.2 The Independent Directors possess all the qualifications and none of the disqualifications to hold the positions.
- 5.3 The Independent Directors serve for a cumulative term of nine (9) years reckoned from 02 January 2015. Thereafter, an Independent Director cannot continue in such capacity. If, however, the Company retains an Independent Director in the same capacity after nine years, the Board shall submit to the Insurance Commission a formal written justification for such retention, and seek Shareholders' approval during the annual Shareholders' meeting.
- 5.4 If possible, separate individuals hold the positions of Chair of the Board and CEO, and each position has clearly defined responsibilities.
- 5.5 If one person is Chair and CEO, the Board should designate a lead Director among the Independent Directors.
- 5.6 Directors with material interest in a transaction affecting the Company abstain from taking part in the deliberations for the same.
- 5.7 The NEDs shall have separate periodic meetings with the external auditor, and with the heads of the internal audit, compliance and risk functions, without any executive present. The lead Independent Director chairs such meetings.
6. Assessing Board Performance –
  - 6.1 If possible, the Board conducts an annual assessment of: (i) its performance as a whole; (ii) the performance of the Chair; and (iii) the performance of each committee. Annually, each committee conducts a self- assessment of its performance. Every three years, the Board engages an external facilitator to support these assessments.
  - 6.2 The Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual Directors and committees. The system allows for a feedback mechanism from the Shareholders.
7. Strengthening Board Ethics
  - 7.1 The Board hereby adopts a Code of Business Conduct and Ethics, Annex "D", which provides standards for professional and ethical behavior, and articulates acceptable and unacceptable conduct and practices in internal and external dealings of the Company. The Board will disseminate this Code to the Board, senior Management, and employees, and disclose the same, and make available to the public through the Company website.
  - 7.2 The Board shall properly and efficiently implement, and monitor compliance with, the Code of Business Conduct and Ethics, and the Company's policies.
- B. Disclosure and Transparency
8. Enhancing Company Disclosure Policies and Procedures –
  - 8.1 The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to Shareholders and other Stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.
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  - 8.3 The Board shall fully disclose all relevant and material information on: (i) individual board members; and (ii) key executives, to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
  - 8.4 To the extent possible, the Company: (a) provides a clear disclosure of its policies and procedure for setting Board, and executive, remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code; and (b) discloses to the appropriate recipient the remuneration on an individual basis, including termination and retirement options.
  - 8.5 The Company discloses: (a) its policies on RPTs, and other unusual or infrequently occurring transactions, and (b) material or significant RPTs, in its Annual Company Report, which RPTs are reviewed and approved by the Board, and submitted for confirmation by majority of vote of the stockholders in the annual stockholders' meeting during the year.

- 8.6 The Company's Corporate Governance policies, programs and procedures are contained in this Manual, which is posted on its website.
9. Strengthening the External Auditor's Independence and Improving Audit Quality –
- 9.1 The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors, whose appointment, reappointment, removal, and fees are recommended by the Committee, approved by the Board, and ratified by the Shareholders. In case the Board removes or changes the external auditor, the Company shall disclose to the regulators and the public, through its website and required disclosures, the reasons for removal and/or change.
- 9.2 The Audit Committee Charter shall include the Audit Committee's responsibility on (i) assessing the integrity and independence of external auditors; (ii) exercising effective oversight to review and monitor the external auditor's independence and objectivity; (iii) exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements; and (iv) reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
- 9.3 The Company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall stay alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.
10. Increasing Focus On Non-Financial and Sustainability Reporting –
- 10.1 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 Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.
11. Promoting A Comprehensive And Cost-Efficient Access To Relevant Information –
- 11.1 The Company shall have a website to ensure a comprehensive, cost efficient, transparent, and timely manner of disseminating relevant information to the public.
- C. Internal Control System and Risk Management Framework
12. Strengthening the Internal Control System and ERM Framework –
- 12.1 The Company shall have an adequate and effective Internal Control system in the conduct of its business, and an adequate and effective ERM framework in the conduct of its business.
- 12.2 The Company shall have 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.
- 12.3 The Company, upon engagement of the appropriate individual, shall have a qualified CAE appointed by the Board, who shall oversee, and is responsible for, the internal audit activity of the Company, including that portion, if any, that is outsourced to a third party service provider.
- 12.4 If feasible, the Company shall have a separate risk management function to identify, assess and monitor key risk exposures.
- 12.5 If feasible, the Company shall have a Risk Management System. If the appropriate individual is engaged or employed, the Company's CRO, will manage the system, and be the ultimate champion of ERM. If a CRO is engaged or employed, the CRO shall have adequate authority, stature, resources and support to fulfill his/her responsibilities.
- D. Cultivating a Synergic Relationship with Shareholders
13. Promoting Shareholders Rights –
- 13.1 Attached as Annex "D" is a list of basic Shareholder rights, and the same will be disclosed on the Company's website.
- 13.2 The Board shall encourage active Shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.

13.3 The Board shall encourage active Shareholder participation by, if possible, (i) making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting available to its Shareholders the next working day, and (ii) posting on the Company website the minutes of the same meeting within five working days from the end of the meeting.

13.4 The Board shall have an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner, which mechanism will be appended to this Manual.

E. Duties to Stakeholders

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

14.1 The Board shall identify the Company's various Stakeholders and promotes cooperation between them and the Company in creating wealth, growth and sustainability.

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

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

15. Encouraging Employees' Participation –

15.1 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.

15.2 With its Code of Conduct, and the anti-corruption policy and program therein, the Board has set the tone and made a stand against corrupt practices. The Board will disseminate the policy and program by training the Company's employees to embed the same in the Company's culture.

15.3 The Board shall establish a suitable framework for whistleblowing that allows employees to: (i) to freely communicate their concerns about illegal or unethical practices, without fear of retaliation; and (ii) have direct access to an Independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall supervise and ensure the enforcement of the whistleblowing framework.

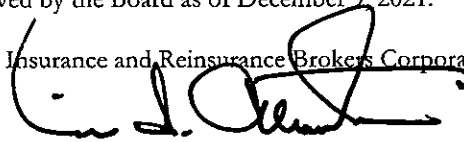
16. Encouraging Sustainability and Social Responsibility –

16.1 The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

Approved by the Board as of December 9, 2021.

Alsons Insurance and Reinsurance Brokers Corporation

By:



Nicasio I. Alcantara  
Chairman of the Board of Directors, and President

Alsons Insurance and Reinsurance Brokers Corporation  
Annexes to the New Manual on Corporate Governance

**Annex “A”**

Board Diversity Policy

Alsons Insurance and Reinsurance Brokers Corporation (the “Company”) believes in diversity and values the benefits that diversity can bring to its Board of directors (the “Board”). Diversity promotes different perspectives and ideas, mitigates against groupthink and ensures that the Company has the opportunity to benefit from all available talent. A diverse Board makes prudent business sense and makes for better Corporate Governance.

The Company seeks to maintain a Board comprised of talented and dedicated directors with a diverse mix of expertise, experience, skills and backgrounds. The skills and backgrounds collectively represented on the Board should reflect the diverse nature of the business environment in which the Company and its subsidiaries operate. For purposes of Board composition, diversity includes, but is not limited to, business experience, geography, age, and gender. In particular, the Board should include an appropriate number of women directors.

The Company is committed to a merit based system for Board composition within a diverse and inclusive culture, which solicits multiple perspectives and views, and is free of conscious or unconscious bias and discrimination. When assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, the Company will consider candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board.

The Company believes promotion of diversity is best served through careful consideration of all of the knowledge, experience, skills and backgrounds of each individual candidate for director in light of the needs of the Board without focusing on a single diversity characteristic and, accordingly, has not adopted targets regarding gender diversity on the Board.

The Company will periodically assess the expertise, experience, skills and backgrounds of its directors in light of the needs of the Board, including the extent to which the current composition of the Board reflects a diverse mix of knowledge, experience, skills and backgrounds, including an appropriate number of women directors.

Any search firm engaged to assist the Board or the Board or a committee of the Board in identifying candidates for appointment to the Board will be specifically directed to include diverse candidates generally, and multiple women candidates in particular.

Women candidates for director will be included in the evergreen list of potential Board nominees.

Annually, the Board or a committee of the Board will review this policy and assess its effectiveness in promoting a diverse Board that includes an appropriate number of women directors.

**Annex “B”**

Nomination and Election Policy

Alsons Insurance and Reinsurance Brokers Corporation (the “Company”), in compliance with Circular Letters N° 2020-71 and 2020-72 by the Insurance Commission (the “Commission”), hereby adopts this Nomination and Election Policy (the “Policy”).

1. Acceptance of Nominations
  - 1.1 Not later than thirty days before the annual stockholders’ meeting, or any special stockholders’ meeting for the election of one or more directors, any Shareholder, including minority Shareholders, may nominate a candidate or candidates for directors, whether regular or independent, in writing.
  - 1.2 The nominating Shareholder shall set forth in the nomination form: (a) the name of the nominee or nominees; and (b) all information that may be required by the Securities & Exchange Commission (the “Commission”) under its applicable rules, regulations and other issuances.
  - 1.3 The nominating Shareholder should sign the nomination form, and the nominated Shareholder or Shareholders should sign his/her conformity to his/her nomination.
  - 1.4 The nominating Shareholder should submit the signed and complete nomination form to the Nomination and Election Committee (the “Committee”).
2. Review of Nomination Form
  - 2.1 Upon receipt of any nomination form, the Committee shall review the form to determine whether it is complete.
  - 2.2 If the Committee finds the form incomplete, they shall return it to the nominating Shareholder who should complete the same and thereafter submit the completed nomination form to Committee not later than thirty days before the annual stockholders’ meeting.
3. Assessment of Nominees
  - 3.1 Upon receipt of a complete nomination form, the Committee shall review and evaluate the qualifications of all persons nominated to the Board, including whether each candidate possesses:
    - (a) The knowledge, skills, experience, and independence of mind;
    - (b) A record of integrity and good repute;
    - (c) Sufficient time to carry out their responsibilities; and
    - (d) The ability to promote a smooth interaction between directors.
  - 3.2 The Committee will also review and evaluate the qualifications of all persons nominated to the Board as Independent Directors, including whether each candidate possesses the qualifications of such a director.
  - 3.3 The Committee will then assess whether each candidate is qualified, with the following being the grounds for the permanent disqualification of a director:
    - (a) Conviction by final judgment or order of any court or administrative body of competent jurisdiction of any crime that: (A) involves the purchase or sale of securities, as defined in the Securities Regulation Code; or (B) arises out of (1) the person’s conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund, dealer, futures commission merchant, commodity trading advisor, or floor broker or (c) his/her fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
    - (b) Permanently enjoined, by reason of misconduct, after hearing, by a final judgment or order of the Commission, *Bangko Sentral ng Pilipinas* (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust Company, investment house, or investment Company; (c) engaging in or condoning any conduct or practice in any of the capacities mentioned in (a) and (b) above, or willfully violating the laws that govern securities and banking activities;
    - (c) Being: (a) the subject of an order of the Commission, BSP or any court or administrative body of competent jurisdiction denying, revoking or suspending any registration, license or



permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or under any rule or regulation issued by the Commission or BSP; (b) otherwise restrained to engage in any activity involving securities and banking; or (c) the subject of an effective order of a self-regulatory company suspending or expelling him/her from membership, participation or association with a member or participant of the company;

- (d) Conviction by final judgment or order by any court or administrative body of competent jurisdiction of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (e) Being adjudged by final judgment or order of the Commission, BSP, any court or administrative body of competent jurisdiction to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the Commission or BSP;
- (f) Being judicially declared as insolvent;
- (g) Being found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated previously;
- (h) Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his/her election or appointment; and

#### 4. Final List of Nominees

- 4.1 After reviewing, evaluating, assessing and screening the nominees for regular and Independent Directors, the Committee shall prepare a final list of candidates for regular and Independent Directors (the "Final List") and the information required by the Commission.
- 4.2 The Committee shall cause: (a) the Final List; (b) the related information required by the Commission; (c) the nominating stockholder or stockholders of each candidate; and (d) the relation of each nominating stockholder to the candidate to be made available to the Commission and all stockholders through the filing and distribution of the Company's information or proxy statement, or a supplement thereto.
- 4.3 Only nominees for Independent Directors appearing in the Final List shall be eligible for election as Independent Directors. After the Final List is prepared and submitted to the Commission and the stockholders, the Committee shall not entertain any other nominations for Independent Directors. At the annual or special Shareholders' meeting, the Chairman shall not entertain or allow further nominations for Independent Directors from the floor.

#### 5. Election of Directors

- 5.1 At the annual or special Shareholders' meeting, the Chairman shall inform the stockholders in attendance of the mandatory requirement of electing Independent Directors.
- 5.2 At the annual or special Shareholders' meeting, if a stockholder in attendance, or an authorized proxy holder, nominates from the floor another stockholder as a regular director, the nominating stockholder or his proxy holder shall state his/her name and relation to the nominee. The Company shall immediately verify whether the nominee for regular director nominated on from the floor is a stockholder of the Company.
- 5.3 At the election for the directors, stockholders in attendance, in person or by proxy, may cast votes in favor of the nominees for regular director nominated on from the floor provided that such nominees are stockholders of the Company.
- 5.4 Should any nominee for regular director nominated on from the floor be elected a director, the Committee shall review and evaluate the qualifications of such nominee, and assess whether he/she is qualified. Such nominee shall take his/her seat in the Board only after the Committee conducts a review, evaluation and/or assessment, and find the said nominee duly qualified as a regular director of the Company.

#### 6. Temporary Disqualification

- 6.1 After each election of directors, the Committee monitor the qualifications of the directors, with following being the grounds for temporary disqualification of a director:
- (a) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
  - (b) Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he/she has cleared himself/herself from any involvement in the cause that gave rise to his/her dismissal or termination;
  - (c) If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent (2%) or its subscribed capital stock. The disqualification from being elected as an Independent Director is lifted if the limit is later complied with; and
  - (d) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.
- 6.2 If the Committee finds any ground for the temporary disqualification of a director, they shall so inform the Board, who shall decide, after due notice and hearing, whether the director or directors against whom there exists a ground for temporary disqualification, should be disqualified.

## Annex "C"

### Related Party Transaction Policy

#### Policy Statement

This policy ensures that all transactions by and between a Related Party of the Company and its affiliates are properly identified and reviewed to ensure that RPTs (as defined below) are properly approved and disclosed. Such transactions are appropriate only if the best interest of the Company and its stockholders are secured.

#### Definitions and

For the purpose of this policy, the definition of terms in the New Manual on Corporate Governance shall apply. In addition:

"Close members of the family of a person" are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: (a) that person's children, and spouse or domestic partner; (b) the children of that person's spouse or domestic partner; and (c) the dependents of that person or that person's spouse or domestic partner.

"Fair and at arm's length" is a term that refers to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

#### Guidelines

1. In accordance with applicable regulations, details of the Company's RPTs shall be disclosed in the Company's Financial Statements of the Annual Reports.
2. All proposed Related Transactions will be disclosed to the Audit Committee of the Board and all transactions will be reviewed and approved by the committee to ensure that a conflict of interest does not exist or that an improper assessment of such transaction is not made and that all information necessary is properly documented.
3. Review, approval and disclosure of RPTs are required to ensure that they are fair, on "arm's length" terms, and in the best interest of the Company and its Shareholders, as a whole. Material RPTs are reviewed by the Audit Committee, which is composed of the Chairman and two (2) members, all of whom are Independent Directors, and subject to the approval by the Board and, as applicable, the Shareholders.
4. Each director and officer shall promptly notify the Audit Committee of any potential RPTs involving the company and a Related Party. The notice shall include a complete description of the RPT including:
  - the name of the Related Party and the basis on which the persons a Related Person;
  - the Related Party's interest in the RPT with the Company, including the Related Party's position(s) or relationship(s) with, or ownership in, a firm, corporation, or other entity that is a party to, or has an interest in, the RPT;
  - the parties to the RPT, and if the Company is not a party, then the nature of the Company's participation in the RPT;
  - the approximate value or the amount involved in the RPT;
  - the approximate value or the amount of the Related Party's interest in the RPT, which shall be computed without regard to the amount of the profit or loss;
  - the purpose and timing of the RPT; and,
  - any other information regarding the RPT or the Related Party in the context of the transaction that could be material to investors in light of the circumstances of the particular transaction.

Annex "D"

Shareholders' Rights<sup>1</sup>

1. To attend, and vote, personally, electronically, or by proxy, at stockholders' meetings<sup>2</sup>;
2. To vote to elect or remove Directors<sup>3</sup>;
3. To vote to adopt new by-laws, or to amend or repeal by-laws<sup>4</sup>;
4. To petition the Securities & Exchange Commission to call a meeting of the stockholders if there is no person authorized to call such a meeting<sup>5</sup>;
5. To enter into a voting trust agreement<sup>6</sup>;
6. To vote for or against the voluntary dissolution of the Company<sup>7</sup>;
7. To be issued a share certificate, and be registered in the Company's books as a shareholder<sup>8</sup>;
8. To receive dividends<sup>9</sup>;
9. To participate in the distribution of the Company's assets upon dissolution<sup>10</sup>;
10. To transfer his/her share, subject to the conditions, and/or restrictions, if any, in the Company's Articles of Incorporation, or By-Laws, as amended<sup>11</sup>;
11. To preempt the issue of shares<sup>12</sup>;
12. To inspect the Company's books and records<sup>13</sup>;
13. To request for, and be furnished, the most recent financial statements<sup>14</sup>;
14. To commence a derivative suit<sup>15</sup>;
15. To recover stock unlawfully sold for delinquency<sup>16</sup>;
16. To exercise his/ Appraisal Right, i.e. demand payment of the fair value of his/ shares and to withdraw from the Company in certain cases<sup>17</sup>;
17. To exercise such other rights that may be provided by applicable laws, rules, and regulations, the issuances by the Securities & Exchange Commission and/or the IC, and the Company's Articles of Incorporation, or By-Laws, as amended.

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<sup>1</sup> 2 Lopez, *The Corporation Code of the Philippines Annotated*, 851-852

<sup>2</sup> Revised Corporation Code of the Philippines, sec. 49, 57

<sup>3</sup> *Id.*, sec. 23, 27

<sup>4</sup> *Id.*, sec. 45, 47

<sup>5</sup> *Id.*, sec. 49

<sup>6</sup> *Id.*, sec. 58

<sup>7</sup> *Id.*, sec. 133, 134

<sup>8</sup> *Id.*, sec. 62

<sup>9</sup> *Id.*, sec. 42

<sup>10</sup> *Id.*, sec. 134, 135

<sup>11</sup> *Id.*, sec. 62

<sup>12</sup> *Id.*, sec. 38

<sup>13</sup> *Id.*, sec. 73

<sup>14</sup> *Id.*, sec. 74

<sup>15</sup> Interim Rules of Procedure for Intra Corporate Controversies, Rule 8, sec. 1

<sup>16</sup> Revised Corporation Code of the Philippines, sec. 68

<sup>17</sup> *Id.*, sec. 80