

COVER SHEET

0000145490

SEC Registration Number

SHANG PROPERTIES, INC.

(Company's Full Name)

Administration Office 5th Level
Shangri-La Plaza EDSA corner
Shaw Boulevard Mandaluyong City

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

Atty. Federico G. Noel, Jr.

(Contract Person)

370-2700

(Company Telephone Number)

12 31

Month Day
(Fiscal Year)

CG MANUAL

(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

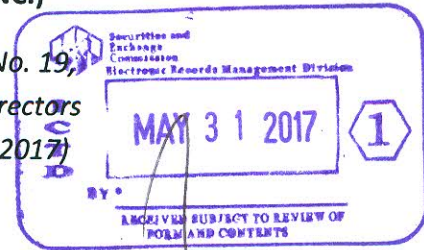
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**REVISED MANUAL ON CORPORATE GOVERNANCE
SHANG PROPERTIES, INC.**

(formerly, EDSA PROPERTIES HOLDINGS INC.)

*(Revised pursuant to SEC Memorandum Circular No. 19,
SERIES OF 2016, and approved by the Board of Directors
during their Regular Meeting held on 15 March 2017)*



A. GUIDING PRINCIPLES

THE BOARD'S GOVERNANCE RESPONSIBILITIES

Principle 1: The Corporation shall be headed by a competent working board 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 long term best interests of its shareholders and other stakeholders.

Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Corporation's articles and by-laws, and other legal pronouncements and guidelines shall be clearly made known to all directors as well as to stockholders and other stakeholders.

Principle 3: Board committees shall be set up to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

Principle 4: To show full commitment to the Corporation, the directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Corporation's business.

Principle 5: The Board shall endeavor to exercise objective and independent judgment on all corporate affairs.

Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possess the right mix of backgrounds and competencies.

Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

DISCLOSURE AND TRANSPARENCY

Principle 8: The Corporation shall establish corporate disclosure policies that are practical and in accordance with best practices and regulatory expectations.

Principle 9: The Corporation shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Principle 10: The Corporation shall ensure that material and reportable non-financial and sustainability issues are disclosed.

Principle 11: The Corporation shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Corporation shall have a strong and effective internal control system and enterprise risk management framework.

CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

Principle 13: The Corporation shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

DUTIES TO STAKEHOLDERS

Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

Principle 16: The Corporation shall be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its

environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

B. Definition of Terms:

Commission – shall refer to the Securities and Exchange Commission of the Philippines.

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

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stakeholders and society.

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

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.

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

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

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

Non-executive director – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation.

Conglomerate – a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

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.

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 objectives¹.

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 company exerts direct or indirect control over or that exerts direct or indirect control over the company: the company's directors; officers; shareholders and related interests, and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or judicial entity whose interest may pose a potential conflict with the interest of the Corporation.

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.

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

C. THE BOARD'S GOVERNANCE RESPONSIBILITIES

1. ESTABLISHING A COMPETENT BOARD

Principle

The Corporation shall be headed by a competent, working board 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 long-term best interests of its shareholders and other stakeholders.

- 1.1 The Board shall be composed of at least 5 but not more than fifteen (15), members who are elected by the stockholders. The Board shall be composed of individuals with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

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

The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

The Board shall have at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2).

- 1.3 The members of the Board shall undergo annual training, including an orientation program for first-time directors, to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities. Each director shall have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation, by-laws, and Code of Conduct, as well as of the rules and regulations of the Commission including but not limited to corporate governance and, where applicable, the requirements of relevant regulatory agencies. A director shall also keep abreast with industry developments and business trends in order to promote

the Corporation's competitiveness. The annual continuing training program shall be observed to ensure that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company, and shall include courses on corporate governance matters relevant to the company, including audit, internal controls, risk management, sustainability and strategy.

- 1.4 The composition of the Board shall strive for gender diversity, as well as diversity in skills, competence, and knowledge.
- 1.5 The Board shall be assisted in its duties by a Corporate Secretary who shall annually attend a training on corporate governance. The Corporate Secretary is primarily responsible to the Corporation and its shareholders and not to the Chairman or President and has among others, the following duties and responsibilities:
 - (a) Assist 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) Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees as well as other official records of the Corporation;
 - (c) Keep abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advise the Board and the Chairman on all relevant issues as they arise;
 - (d) Work fairly and objectively with the Board, Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
 - (e) Advise on the establishment of Board committees and their terms of reference;
 - (f) Inform members of the Board 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) Attend 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) Perform required administrative functions;
- (i) Oversee the drafting of the by-laws and ensure that its provisions conform with regulatory requirements; and
- (j) Perform such other duties and responsibilities as may be provided by the Commission.

1.6 The Board shall ensure that it is assisted in its duties by a Compliance Officer who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer shall annually attend a training on corporate governance. The Compliance Officer is primarily liable to the Corporation and its shareholders, and not to the Chairman or President, and has, among others, the following duties and responsibilities:

- (a) Ensure proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- (b) Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- (c) Report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- (d) Ensure the integrity and accuracy of all documentary submissions to regulators;
- (e) Appear before the Commission when summoned in relation to compliance with this Code;

- (f) Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- (g) Identify possible areas of compliance issues and works towards the resolution of the same;
- (h) Ensure the attendance of the board members and key officers to relevant trainings; and
- (i) Perform such other duties and responsibilities as may be provided by the Commission.

2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

Principle

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

- 2.1 The Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and shareholders.
- 2.2 The Board shall oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long term viability and strength. The Board shall review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performances; and oversee major capital expenditures, acquisitions and divestitures.
- 2.3 The Board shall be headed by a competent and qualified Chairperson.

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

- (a) Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

- (b) Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
 - (c) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
 - (d) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
 - (e) Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
 - (f) Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.
- 2.4 The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This shall include adopting policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Corporation. It is the Board's responsibility to implement a process to appoint competent, professional, honest and highly motivated management officers who can add value to the Corporation. For any potential candidate identified, a professional development plan shall be defined to help the individual prepare for the job (e.g. training to be taken and cross experience to be achieved). The process shall be conducted in an impartial manner and aligned with the strategic direction of the organization.
- 2.5 The Board shall align the remuneration of key officers and board members with the long-term interests of the Corporation. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance which includes specific financial and non-financial metrics to measure performance and set specific provision for employees with significant influence on the overall risk profile of the Corporation.
- Key considerations in determining proper compensation includes the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director shall participate in deciding on his remuneration; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

For employees in control functions (e.g. risk, compliance and internal audit), their remuneration shall be determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives so as not to compromise their independence.

- 2.6 The Board shall institute and set forth in this Manual on Corporate Governance a formal and transparent Board nomination and election policy that shall include how it accepts nominations from minority shareholders and reviews nominated candidates. The process of identifying the quality of directors shall be aligned with the strategic direction of the Corporation. The policy shall promote transparency of the Board's nomination and election process.

The nomination and election process shall include the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates:

- (a) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of entity's business and risk profile;
- (b) have a record of integrity and good repute;
- (c) have sufficient time to carry out their responsibilities; and
- (d) have the ability to observe a smooth interaction between board members.

Candidates must also possess the following qualifications:

- (a) college education or equivalent academic degree;
- (b) practical understanding of the business of the corporation;
- (c) membership in good standing in relevant industry, business or professional organizations; and
- (d) previous business experience.

The process shall also include monitoring the qualifications of the directors. The qualifications and grounds for disqualification shall be set forth in this Manual on Corporate Governance.

The following procedure shall be observed in the nomination of regular and independent directors of the Board:

The Corporate Governance Committee shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the

effectiveness of the Board's processes and procedures in the election or replacement of directors.

Nomination of Independent Director/s

The nomination of independent directors shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominee.

The Corporate Governance Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

After the nomination, the Corporate Governance Committee shall prepare a Final List of Candidates which shall contain all the following information about all the nominees for independent directors:

- (1) Names, ages, and citizenship of all nominees;
- (2) Positions and offices that each nominee has held, or will hold if known;
- (3) Term of office and the period during which the nominee has served as director;
- (4) Business experience during the past five (5) years;
- (5) Other directorships held in SEC reporting companies, naming each company;
- (6) Family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons chosen by the company to become directors or executive officers;
- (7) Involvement in legal proceedings, i.e., a description of any of the following events that occurred during the past five (5) years up to the latest date that are material to an evaluation of the ability of integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the company:
 - (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or

executive officer either at the time of the bankruptcy or within two years prior to that time;

- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceedings, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

- (8) Disclosure if owning directly or indirectly as record and/or beneficial owner of any class of the Corporation's voting securities;
- (9) Disclosure of owning voting trust of more than 5% of the company's securities; and
- (10) Any such other information as may be required to be disclosed by the Securities and Exchange Commission although not expressly provided for above.

The Final List of Candidates shall be made available to the Securities and Exchange Commission and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the Corporation is

required to submit to the Securities and Exchange Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

Except as required in the foregoing, the election of independent directors shall be made in accordance with the standard election procedures of the Corporation or its by-laws.

It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent directors are elected during the stockholders' meeting.

Specific slots for independent directors shall not be filled-up by unqualified nominees.

In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Securities and Exchange Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance Committee, otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for the purpose. An

independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor-in-office.

Nomination of Regular Director/s

The nomination of the Corporation's regular (non-independent directors) shall also be subject to the foregoing procedure for the nomination of independent directors.

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

- (a) Any person convicted by final judgement or order by a competent judicial or administrative body of any crime that: (i) involves the purchase or sale of securities, as defined in the Securities Regulations Code; (ii) 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 (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or an affiliated person or any of them;
- (b) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgement or order of the Commission, Bangko Sentral ng Pilipinas (BSP) 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 flood broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if (i) such person is the subject of an order of the Commission, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or under any rule or regulation issued by the Commission or BSP; (ii) such person has otherwise been restrained to engage in any activity

involving securities and banking; or (iii) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

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

In addition, the following shall be grounds for the temporary disqualification of a director:

- (a) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or in a 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 has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

- (c) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- (d) If any of the judgment or orders cited in the grounds for permanent disqualification has not yet become final.

- 2.7 The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions. The Board shall review and approve material or significant RPTs to guarantee the fairness and the transparency of the said transactions, and to ensure that the same are conducted in compliance with prevailing rules and regulations, and under arm's length and conditions that protect the rights of all shareholders.
- 2.8 The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads. It is the responsibility of the Board to appoint a competent management team all the times, monitor and assess the performance of the management team based on established performance standards that are consistent with the Corporation's strategic objectives, and conduct a regular review of the Corporation's policies with the management team. In the selection process, fit and proper standards are to be applied on key personnel and due consideration shall be given to integrity, technical expertise and experience in the institution's business either current or planned.
- 2.9 The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.
- 2.10 The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders, and for overseeing the implementation of key control

functions, such as risk management, compliance and internal audit, and reviewing the Corporation's human resource policies, conflict of interest situations, compensation program for employees and management succession plan. The Board shall also approve the Corporation's Internal Audit Charter.

- 2.11 The Board shall oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Board shall be responsible for defining the Corporation's level of risk tolerance and providing oversight over its risk management policies and procedures.
- 2.12 The Board shall adopt a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions and should be publicly available and posted on the Corporation's website.
- 2.13 The office of the members of the Board is one of trust and confidence. A director shall always act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. A director shall observe the following norms of conduct:

A director shall observe the following norms of conduct:

- (a) Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.

A director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He shall avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he shall fully and immediately disclose it and shall not participate in the decision-making process.

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

- (b) Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

A director shall devote sufficient time to familiarize himself with the Corporation's business. He shall be constantly aware and knowledgeable of the Corporation's operations to enable him to meaningfully contribute to the Board's work. He shall attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanations.

- (c) Before deciding on any matter brought before the Board, a director shall carefully evaluate the issues and, if necessary, make inquiries and request clarification.
- (d) Exercise independent judgment.

A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position.

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

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

- (f) Observe confidentiality.

A director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.

3. ESTABLISHING BOARD COMMITTEES

Principle

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

- 3.1 The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities, i.e, the Audit Committee and Corporate Governance Committee. The Audit Committee shall also be tasked to assume the functions of the Risk Oversight Committee and the Related Party Transaction Committee.
- 3.2 The Board shall establish an Audit Committee to enhance its oversight capability over the Corporation'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 non-executive directors, the majority of whom including the Chairman, should be independent. The at least one of the members of the committee, or a majority of the members, where possible, must have the relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or any other committees.

The Audit Committee shall be responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets.

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

- (a) Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- (b) Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be place in order to (i) safeguard the Corporation's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the

Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;

- (c) Oversee the Internal Audit Department and recommend the appointment and/or grounds for approval of an internal audit head or. The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services.
- (d) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, the Internal Auditor shall directly report to the Audit Committee;
- (e) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- (f) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplications of efforts;
- (g) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The 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, shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;
- (h) Review and approve the Interim and Annual Financial Statements of the Corporation before their submission to the Board with particular focus on the following:
 - Any change/s in accounting policies and practices
 - Areas where a significant amount of judgement has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements

- (i) Review the disposition of the recommendations in the External Auditor's management letter;
- (j) Perform oversight functions over the Corporation's Internal and External Auditors. The Audit Committee shall ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (k) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (l) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders; and
- (m) Perform the functions of the Board Risk Oversight Committee and/or Related Party Transactions Committee.

The Audit Committee shall meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meet with the head of the internal audit.

- 3.3 The Board shall establish a Corporate Governance Committee that shall be tasked to assist the Board in the performance of its corporate governance responsibilities. It shall be composed of at least three members, majority of whom shall be independent directors, including the Chairman.

The Corporate Governance Committee shall have the following duties and functions, among others:

- (a) Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environments;

- (b) Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct an annual self-evaluation of its performance;
- (c) Ensure 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;
- (d) Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- (e) Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistency implemented in form and substance;
- (f) Propose and plan relevant trainings for the members of the Board;
- (g) Determine the nomination and election process for the Corporation's directors (regular and independent) and has the special duty of defining the general profile of board members that the Corporation may need and ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- (h) Establish a formal and transparent procedure to develop a policy for determining the remuneration of officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

The Corporate Governance Committee shall also assume the functions of the nomination committee.

- 3.4 Subject to the Board's assessment as the Corporation grows in size and in complexity of its operations, the Board may establish a separate Board Risk Oversight Committee (BROC) that shall be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. The BROC shall be composed of at least three members, the majority of whom should be independent directors, including the Chairman. The Chairman shall not be the Chairman of the Board or any other committee. At least one member of the BROC must have relevant through knowledge and experience on risk and risk management. Given the Corporation's current size and its operations which does not call for the

establishment of a BROCC, the functions of the same shall be assumed and performed by the Audit Committee.

- 3.5 Subject to the Board's assessment as the Corporation grows in size and in complexity of its operations, the Board may establish a Related Party Transaction (RPT) Committee, which shall be tasked with reviewing all material related party transactions of the company and should be composed of a least three non-executive directors, two of whom shall be independent, including the Chairman. Given the Corporation's current size and its operations which does not call for the establishment of a RPT Committee, the functions of the same shall be assumed and performed by the Audit Committee.
- 3.6 All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, membership, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees and fully disclosed in the Corporation's website.

4. FOSTERING COMMITMENT

Principle

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

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

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

- 4.2 The non-executive directors of the Board shall concurrently serve as directors to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposal/views, and oversee the long-term strategy of the company.
- 4.3 A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company.

5. REINFORCING BOARD INDEPENDENCE

Principle

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

- 5.1 The Board shall have such number of independent directors as may be prescribed under the Securities and Regulations Act and any amendment thereto.
- 5.2 The Board shall ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who, ideally:

- (a) Is not, or has not been a senior officer or employee of the 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 Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial shareholder and its related companies;
- (c) Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;

- (d) Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- (e) Is not a relative of a director, officer, or substantial shareholder of the Corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relative shall include spouse, parent, child, brother, sister and the spouse of child, brother or sister;
- (f) Is not acting as a nominee or representative of any director of the 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 Corporation, any of its related companies or substantial shareholders, or 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 Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- (j) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- (k) Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Related companies, as used in this section, refer to (i) the Corporation's holding/parent company; (ii) its subsidiaries; and (iii) subsidiaries of its holding/parent company.

- 5.3 The Board's independent directors shall serve for a maximum cumulative term of nine years. At the end of said period, the independent director shall be perpetually barred from re-election, but may continue to qualify for nomination and election as a non-independent director. Where the Corporation wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholder's meeting.
- 5.4 The positions of the Chairman of the Board and Chief Executive Officer shall be held by separate individuals and each shall have clearly defined responsibilities.

To avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making, the positions of Chairman and Chief Executive Officer (CEO) shall be held by different individuals.

The CEO shall have the following roles and responsibilities, among others:

- (a) Determine the Corporation's strategy direction and formulates and implements its strategic plan on the direction of the business;
- (b) Communicate and implement the Corporation's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- (c) Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- (d) Have a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- (e) Direct, evaluate and guide the work of the key officers of the Corporation;
- (f) Manage the Corporation's resources prudently and ensures a proper balance of the same;
- (g) Provide the Board with timely information and interfaces between the Board and the employees;

- (h) Build the corporate culture and motivates the employees of the Corporation; and
- (i) Serves as the link between internal operations and external stakeholders.

5.5 The Board shall designate a lead director among the independent directors, if the Chairman of the Board is not independent, or if the positions of the Chairman of the Board and Chief Executive Officer are held by one person. The lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the lead director include, among others, the following:

- (a) Serves as an intermediary between the Chairman and 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.

5.6 A director with material interest in any transaction affecting the Corporation shall abstain from taking part in the deliberations for the same.

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

6. ASSESSING BOARD PERFORMANCE

Principle

The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix backgrounds and competencies.

6.1 The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. The Board may procure the assistance of a third party external facilitator in the assessment process to increase the objectivity of the same.

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

7. STRENGTHENING BOARD ETHICS

Principle

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

- 7.1 The Board shall adopt a Code of Business Conduct and Ethics, which shall provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees. It shall also be disclosed and made available to the public through the Corporation's website.
- 7.2 The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies, and shall ensure the institution of effective communication channels to aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior without fear of retribution.

DISCLOSURE AND TRANSPARENCY

8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

Principle 8

The Corporation shall establish corporate disclosure policies and procedures that are practical and in accordance with the best practices and regulatory expectations.

- 8.1 The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, fair, reliable and timely report to shareholders and other stakeholders of the Corporation's financial condition, results and business operations. Said disclosure rules shall be in accordance with the requirements of Rule 68 of the Securities Regulation Code (SRC) and Philippine Stock Exchange Listing and Disclosure Rules.

- 8.2 The Corporation shall have a policy requiring all directors and officers to disclose/report to the Corporation any dealing in the Corporation's shares within three business days.
- 8.3 The Board shall fully disclose all relevant and material information on individual Board members and key executives to evaluate their experiences and qualifications, and assess any potential conflicts of interest that might affect their judgment. Said disclosure shall include directors and key officers' qualifications, share ownership in the Corporation, membership in other boards, other executive positions, continuous trainings attended and identification of independent directors.
- 8.4 The Corporation shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration as well as retirement provisions, as well as the level and mix of the same in the Annual Corporate Governance Report.
- 8.5 The Corporation sets forth herein its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions.

General Principle

The Corporation affirms that the essence of corporate governance is transparency. The more transparent the internal workings of the Corporation, the less risk of mismanagement or misappropriation of the Corporation's assets by Management and dominant stockholders.

The Corporation affirms further that all material information about the corporation which could adversely affect its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed. Such information shall include, among others, related party transactions (RPTs) which shall be disclosed through the appropriate submissions to the Securities and Exchange Commission and the Philippine Stock Exchange.

Board Responsibility

The Board shall have the overall responsibility of ensuring that there is a group-wide policy and system governing RPTs and other unusual or infrequently occurring transactions. The Board shall review and approve material or significant RPTs to guarantee the fairness and the transparency of said actions, and to ensure that the same are conducted in compliance with prevailing rules and regulations and under arm's length and other conditions for the protection of shareholders and stakeholders.

Definition of RPTs

Pursuant to the Corporation's Manual of Corporate Governance, RPT refers to a transfer of resources, services, or obligations between a reporting entity and a related party, regardless of whether a price is charged. It includes transactions that are entered into with related parties, and outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

A "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 judicial entity whose interest may pose a potential conflict with the interest of the Corporation.

The Corporation shall also observe the provisions of International Accounting Standards (IAS) 24 Related Party Disclosures and its latest amendments adopted by the International Accounting Standards Board (IASB), in determining whether a particular transaction is considered an RPT.

- 8.6 The Corporation shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. The Board of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets to ensure the protection of the rights of shareholders.

9. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

Principle 9

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

- 9.1 The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, 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 shall be disclosed to the regulators and the public through the Corporation's website and required disclosures.

- 9.2 The Audit Committee Charter shall set forth policies which are in accord with nationally and internationally recognized best practices and standards. The Charter shall include the Audit Committee's responsibility for assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter shall also contain the Audit Committee's responsibility of reviewing and monitoring the external auditor's sustainability and effectiveness on an annual basis.
- 9.3 The Corporation shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guideline 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

Principle 10

The Corporation shall ensure that the material and reportable non-financial and sustainability issues are disclosed.

- 10.1 The Board shall endeavor to 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 may, as it deems necessary, adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

Principle 11

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

- 11.1 The Corporation may, as it deems necessary, 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.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

12. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

Principle

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

- 12.1 The Corporation shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business taking into account its size, risk profile and complexity of operations.
- 12.2 The Corporation shall have in place an independent internal audit function that provides an independent and objective assurance and consulting services designed to add value and improve the Corporation's operations.

The following are the functions of the internal audit, among others:

- (a) Provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;

- (b) Perform regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- (c) Perform consulting and advisory services related to governance and control as appropriate to the Corporation;
- (d) Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Corporation;
- (e) Review, audit, and assess the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- (f) Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- (g) Evaluate specific operations at the request of the Board or Management, as appropriate; and
- (h) Monitor and evaluate governance processes.

12.3 The Corporation may, if it deems necessary, as it grows in size and its operations grow in complexity, appoint a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider where applicable.

The CAE, where one is appointed, in order to achieve the necessary independence to fulfill his/her responsibilities, shall report directly functionally to the Audit Committee and administratively to the CEO. The following are the responsibilities of the CAE, among others:

- (a) Periodically review the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- (b) Establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the Corporation's goals;

- (c) Communicate 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) Spearhead the performance of the internal audit activity to ensure it adds value to the Corporation;
- (e) Report periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- (f) Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

12.4 The risk management functions of the Corporation shall be assumed by the Audit Committee, pursuant to Section 3.1 of this Manual of Corporate Governance.

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

- (a) Defining a risk management strategy;
- (b) Identifying and analyzing key risks exposure relating to economic environmental social and governance (EESG) factors and the achievement of the Corporation'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;
- (f) Communicating and reporting significant risk exposures including business risks (i.e. strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and

- (g) Monitoring and evaluating the effectiveness of the Corporation's risk management processes.

12.5 In managing the Corporation's Risk Management System, as the Corporation grows in size and its operations become more complex, the Corporation may, as it deems necessary, designate a Chief Risk Officer (CRO), who shall be the ultimate champion of Enterprise Risk Management (ERM) and shall have adequate authority, stature, resources and support to fulfill his/her responsibilities.

The CRO shall have the following functions, among others:

- (a) Supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- (b) Communicate the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee or the Audit Committee as applicable;
- (c) Collaborate with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- (d) Suggest ERM policies and related guidance, as may be needed; and
- (e) Provide 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
 - (iii) Established risk policies and procedures are being complied with.

CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

13. PROMOTING SHAREHOLDER RIGHTS

Principle

The Corporation shall treat all shareholders fairly and equitably, also recognize, protect and facilitates the exercise of the rights.

13.1 The Board shall set forth the basic rights of shareholders in this Manual on Corporate Governance and on the Corporations's website.

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

- (a) Right to vote on all matters that require their consent or approval;
- (b) Pre-emptive right to all stock issuances of the corporation;
- (c) Right to inspect corporate books and records;
- (d) Right to information;
- (v) Right to dividends; and
- (vi) Appraisal right.

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

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

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

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

- 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 28 days before the meeting.
- 13.3 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 matters taken up during the Annual and Special Shareholders' Meeting

shall be disclosed to the Commission and the PSE, and uploaded to the Corporation's website with the period prescribed by prevailing regulations.

Voting results include a breakdown of the approving and dissenting votes on the matters raised during the Annual or Special Stockholders' Meeting.

The matters arising from the Annual or Special Stockholders' Meeting shall include: (i) a description of the voting and the vote tabulation procedures used; (ii) the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received; (iii) the matters discussed and the resolutions reached; (iv) a record of the voting results for each agenda item; (v) a list of the directors, officers and shareholders who attended the meeting; and (vi) dissenting opinion on any agenda item that is considered significant in the discussion process.

13.4 The Board shall make available, at the option of a shareholder, an alternative dispute mechanism (i.e, through mediation or arbitration, following the mechanics set forth in prevailing mediation and arbitration laws) to resolve intra-corporate disputes in an amicable and effective manner in order to prevent excessive litigation

13.5 The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting. The name of the IRO, his email address, and telephone number shall be disclosed in the Corporation's website.

DUTIES TO STAKEHOLDERS

14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

Principle

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

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

- 14.2 The Board shall establish clear policies and programs to provide a mechanism for clear, timely and regular communication with the various stakeholders and their fair treatment and protection. The Corporation's stakeholders include its customers, resource providers, creditors and the community in which it operates.
- 14.3 The Board shall adopt a transparent framework and process through its Investor Relations Office, Office of the Corporate Secretary, or the Corporate Communications Group that will allow stakeholders to communicate with the Corporation and to obtain redress for the violation of their rights.

15. ENCOURAGING EMPLOYEES' PARTICIPATION

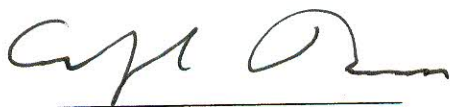
Principle

A mechanism for employee participation shall be developed to create a symbiotic environment, realize the Corporation's goals and participate in its corporate governance processes.

- 15.1 The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance covering, among others, the following: (i) health, safety and welfare; (ii) training and development; and (iii) reward/compensation for employees, encourages employees to perform better and motivates them to take a more dynamic role in the Corporation.
- 15.2 The Board shall set the tone and make a stand against corrupt practices by ensuring the institution of an anti-corruption policy and program in the Corporation's Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation's culture. Employees shall be encouraged to report corrupt practices.
- 15.3 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.


SHANG PROPERTIES, INC.

By:

A handwritten signature in black ink, appearing to be 'Alfredo C. Ramos', written over a horizontal line.

ALFREDO C. RAMOS

Vice Chairman of the Board

A handwritten signature in blue ink, appearing to be 'Federico G. Noel, Jr.', written over a horizontal line.

FEDERICO G. NOEL, JR.

Director/General Counsel/Compliance Officer