

# **107 EXCHANGE INSURANCE BROKER, INC.**

## **MANUAL ON CORPORATE GOVERNANCE**

Corporate Governance is the system, including objectives, rules and procedures by which business corporations are directed and controlled. Good Corporate governance is the responsibility and concern, not only of the Board of Directors and management, but also each and every employee of the corporation.

The Board of Directors, Officers and Staff of **107 Exchange Insurance Broker, Inc. (107 EIBI)** hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of their corporate goals. This Manual specifies the distribution of rights and responsibilities among different participants in the Corporation, such as the Board, Officers, Shareholders and other Stakeholders in attaining the corporation's objectives and monitoring performance in so far as Fairness, Accountability and Transparency are concerned.

### **I. OBJECTIVE**

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

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

### **II. THE BOARD GOVERNANCE STRUCTURE**

#### **1. Framework**

- Compliance with the principles of good corporate governance is paramount and shall start with the Board of Directors.
- The Board shall be composed of seven (7) members, at least one (1) of whom shall be an independent Director.
- Each member of the Board shall have continuing education and orientation on good governance principles and practices. Ideally, whenever available, education shall include courses from external institutes that advocate and certify governance standards and practices.

#### **2. The Board of Directors**

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, function and responsibilities.

## **2.1. General Responsibility**

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

## **2.2. Specific Duties and Functions of the Board**

To insure a high standard of best practice for the Corporation and its Stakeholders, the Board shall:

- Install a process of selection to ensure diversity and expertise among its directors and officers;
- Elect the President and other Officers;
- Adopt a professional development program for Officers and succession planning for the Executives of the Corporation;
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective communication program;
- Adopt a system of internal checks and balances and regularly evaluate applicability thereof under changing conditions;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Ensure the continuing soundness, effectiveness and adequacy of the Corporation's internal control environment;
- Properly discharge Board functions by meeting regularly at least once a month. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
- Adopt procedures for the Directors, either individually or as a group, in furtherance of their duties, to take independent professional advice and to have direct access to management.
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.

- Approval of items reserved to the Board, such as but limited to Annual Reports and Financial Statements, dividends, financial policies, budget, retirement plan, safety/asset integrity matters, others.
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its joint ventures, subsidiaries, associates, major stockholders, officers, and directors, including their spouses, children and dependent siblings and parents and interlocking director relationships by members of the Board.
- Appoint a Compliance Officer who shall have the rank of at least Vice President (VP) or equivalent experience.
- Establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including regulatory authorities.
- Perform such other functions which may be required under existing laws, issuances and regulations.

### **2.3. Duties and Responsibilities of a Director**

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision;
- To exercise independent judgment;
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation and its operations, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- To observe confidentiality on non-public information acquired by reason of his position as a Director;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.

## **2.4. Qualification of the Director**

### **2.4.1. Qualifications**

- Holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate or have sufficient experience in business management to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have proven to possess integrity and probity;
- He shall be prudent;
- He shall have practical understanding of the business of the Corporation;
- He shall have membership in good standing in relevant industry, business or professional organizations ; and
- He shall have previous business experience.

### **2.4.2. Permanent Disqualifications**

- No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business or activity which competes with or is antagonistic to that of the Corporation or any of its subsidiaries and affiliates, which disqualification may be waived by a majority vote of the Board of Directors, upon the recommendation of the Committee.
- Any person finally convicted judicially of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or similar fraudulent acts or transgressions;
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

### 2.4.3. Temporary Disqualifications

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency unless absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election. A director, however, shall not be considered absent if he participates in the meetings via teleconferences;
- Dismissal/termination from directorship in another listed corporation the shares of which are listed on the Exchange, for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularly;
- Being under preventive suspension by the Corporation;
- In the case of independent director;
  - His beneficial equity ownership in the corporation or any of its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
  - He has served the maximum cumulative term for an independent director. The disqualification shall be lifted if the status of independent director is no longer availed of.
  - In the case of independent directors, the additional grounds for temporary disqualification shall be those provided under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors.
- A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

#### **2.4.4. The Role of the Independent Director**

The Independent Director, though subject to the same qualification and disqualification guidelines of a regular director, has unique role in the Board. He/she shall therefore a person who:

- Is not or was not a director, officer or employee of the Corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his/her election/appointment;
- Is not or was not a director or employee of the Corporation's substantial stockholdings and their related companies during the past three (3) years counted from the date of his/her election/appointment ;
- Is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stocks sufficient to elect one (1) seat in the board of directors of the Corporation or in any of its related companies or of its majority corporate shareholdings ;
- Is not a relative by affinity or consanguinity within the fourth (4<sup>th</sup>) degree of a director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of the covered entity or of any of its related companies or any of its substantial shareholders;
- Is not acting as a nominee or representative of any director or substantial shareholder of the covered entity, any of its related companies or any of its substantial shareholder;
- Is not or was not retained as professional adviser, auditor, consultant, agent or counsel of the covered entity, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past thee (3) years counted from the date of his election/appointment;
- Is independent of management and free from any business or other relationship, has not engaged or does not engaged in any transaction with the covered entity or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- Was not appointed in the covered entity, its subsidiaries, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Regular Directors, Officers, or Members of any Advisory Board or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his election/appointment; and

- Is not affiliated with any non-profit organization that receives significant funding from the covered entity or any of its related companies or substantial shareholders.

### **3. Board Oversight Committees**

The Board of Directors can delegate certain oversight functions to committees which they deem fit and necessary. These governing bodies are preferably chaired by an independent director with two (2) of the regular directors comprising their members.

#### **3.1. Corporate Governance, Risk and Compliance Committee**

Its primary role and responsibility is to set the strategy, approve and oversee the corporation's implementation of its Governance, Risk and Compliance Policies and procedures which include but not limited to the following:

- Code of Conduct and Ethics
- Risk Management Policy Statement
- The Company's risk appetite and risk tolerance
- Good Governance Policy
- Self-evaluation of the Board of Directors, Committees, Executive Management
- Peer Evaluation and Directors Orientation and Continuing Education Policy
- Operational and Money Laundering Compliance

The Committee shall also perform the duties and responsibilities related to compensation and remuneration, including the following:

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and personnel ensuring that compensation is consistently and equitably implemented in accordance with the Corporation's culture, strategy and control environment and recommend the remuneration packages of directors for the approval of the Board.
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
- Develop a form on Full Business Interest Disclosure for directors and incoming officers, which among others, compel all officers and incoming officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of

duties once appointed or hired.

- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- Review of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

It shall aid the Board in complying with the principles of good corporate governance.

It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the qualifications and disqualifications mentioned in Sec. 2.4.1, 2.4.2 and 2.4.3 of this manual.

### **3.2. Audit Committee**

The audit committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

#### **3.2.1 Duties and Responsibilities**

- Assist the Board in the performance of its oversight responsibility for the Corporation's financial reporting process, system of internal control, internal and external audit process and monitoring of compliance with applicable laws, rules and regulations.
- Perform oversight enterprise risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- Recommend the appointment of the company's external auditor, and pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audits.
- Perform direct interface functions with the internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records,

properties and personnel to enable them to perform their respective audit functions.

- Review all material related-party transactions of the company
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - a. A definitive time table within which the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant.
  - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
  - c. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.
  - d. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting, operational and compliance controls, enterprise risk management, and information technology security at least annually.
  - e. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.

### **3.3. Executive Committee**

The Executive Committee shall be composed of the key directors of the company with the inclusion of top management and executive officers whenever necessary. It is responsible in approving board- level initiatives and programs as shifts in operational strategies , re-branding, nomination, selection and hiring of top-level positions including prospective directors of the Board, credit limit with high transactional value, succession, plans, budget appropriations and remuneration, mergers and acquisition, digital transformation and other matters the Board may decide.

### **3.4. Chairperson and Chief Executive Officer**

The Chairperson presides the board meetings. While allowed in certain cases that the Chairperson also holds the Chief Executive Officer (CEO) position, it is a matter of good governance practice to separate the two (2) functions. The CEO reports to the Chairperson and the Board on the corporate and operational business results and takes care of the management of the entire Company's conduct of business.

### **3.5. The Corporate Secretary**

The Corporate Secretary is an officer of the Corporation and he shall be a Filipino citizen. Considering his diverse functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

#### **3.5.1. Duties and Responsibilities**

- Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board as well as other official documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- Inform the members of the Board of the date and agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Serve as an adviser of the Board and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Work fairly and objectively with the Board, Management and stockholders.
- Have a working knowledge of the operations of the Corporation.
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain record of the same.
- Submit to the Commission, on or before January 30 of the following year, an annual sworn certification as to the attendance of the directors during Board meetings.

### **3.6. Chief Governance , Risk and Compliance Officer**

3.6.1 For purposes of consolidating the three (3) typically separate functions, the Company with its limited personnel resource, shall select a

single person to be responsible with the following duties and responsibilities:

- Prepare the agenda of the Governance, Risk and Compliance Board Committee in coordination with the Corporate Secretary;
- Monitor compliance with the provisions and requirements of this Manual, the Code and such other laws, circulars, rules and regulations issued in relation to corporate governance, and if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent the repetition of the violation;
- Keep a list of existing and new regulatory provisions, developments and best practices affecting the Company's conduct of business and activities, and monitor its prompt compliance;
- Identify key risk indicators that matter to corporate goals and strategies and measure them to help the Board and its Risk Oversight Committee determine the Company's risk appetite, thresholds and tolerance levels; and
- Receives summons and appear in court on any breach of laws and regulations to clarify any non-compliant issues.

### **3.7. External Auditor**

3.7.1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee. The External Auditor shall be rotated or the handling partner shall be changed every three (3) years or earlier.

3.7.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

3.7.3. The external auditor of the Corporation shall not at the same time provide the services of an internal auditor thereto. The Corporation shall ensure that other non-audit work provided by the external auditor shall not be in conflict with the functions of the external auditor.

3.7.4. The company's external auditor shall be changed or the handling

partner shall be changed every five (5) years or earlier.

3.7.5. If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

### **3.8. Internal Auditor**

3.8.1. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

3.8.2. The Internal Auditor shall report to the Audit Committee. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

3.8.3. The minimum internal control mechanisms for management's operational responsibility shall be established by the Chief Executive Officer, being ultimately accountable for the Corporation's organizational and procedural controls.

3.8.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

## **III. MANAGEMENT SUCCESSION PLANNING**

The Board shall put in place an approved management succession plan crafted with the end view of business continuity and avoid the risk of brain drain whenever key people and executives leave the organization.

In the case of retirement, the Board believes that the years of experience of a retiree who has accumulated much wisdom during his long years of working will serve well the Board and the organization in terms of the wealth of knowledge that he has acquired due to his diligence and hard work. Retirees in good standing are allowed extended tenures in whatever capacity the Board may deem fit to him.

Part of the succession plan is identifying critical positions that need continuity and the extent of internal available resource to replace and fill up the vacancy with a groomed successor.

A training plan to prepare future leaders of the Company should be in place in coordination with Human Resource Department.

#### **IV. FOSTERING AND REINFORCING THE BOARD'S COMMITMENT, PERFORMANCE AND INDEPENDENCE**

A Board that adheres to good corporate governance practices fosters great commitments, performance and unquestionable independence. To achieve these, the Board follows norms of conduct which include but not limited to:

1. Board meetings and attendance are previously set and Board members are evaluated according to their promptness and consistency.
2. Confidentiality is strictly adhered in every meeting.
3. Where directors occupy multiple seats in any other entities, they are required full disclosure to determine any potential conflicts of interests.
4. Terms of office of Directors are pre-set at a minimum of one (1) year or otherwise determined by the Board and duly reported to the appropriate regulatory agency.
5. A self-evaluation is encouraged to determine the score level of performance of the Board in terms of best governance practices
6. A peer evaluation is likewise encouraged to foster constructive review of individual performance.

#### **V. ENCOURAGING EMPLOYEE PARTICIPATION**

The Board and management team are conducting town hall meetings to get direct feedbacks from its employees. Normally, the president presides the meetings. Any important development may warrant a special meeting with employees.

Management team maintains an open door policy where employees are welcome to present new ideas and introduce new product designs and service schemes to service its customers.

#### **VI. COMMUNICATION PROCESS**

1. This Manual shall be available for inspection by any stockholder or employee of the Corporation at reasonable hours of business days subject to such express limitations provided by the Corporation and other relevant laws, circulars, rules and regulations.
2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties and to likewise enjoin compliance in the process.
3. An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

## **VII. TRAINING PROCESS**

1. Whenever necessary, funds shall be allocated by the Chief Financial Officer or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual and relevant updates of the Board and officers.
2. A director, assuming that position for the first time, shall be required to undergo a company orientation program and attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

## **VIII. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

1. ThereportsordisclosuresrequiredunderthisManualshallbepreparedand submitted to the Commission by the responsible committee or officer through the Corporation's Compliance Officer or his alternate;
2. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.
4. All disclosed information shall be released via company announcements as well as through the annual report.
5. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filling of all required information for the interest of the stakeholders.

## **IX. SHAREHOLDERS' BENEFIT**

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its stockholders:

### **1. INVESTORS' RIGHTS AND PROTECTION**

#### **1.1 Rights of Investors / Minority Interest**

1.2 The Board shall be committed to respect the following rights of the stockholders:

**i. Voting Right**

- The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend the annual and special stockholders' meetings, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.
- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- The directors shall be voted in accordance with the Corporation Code.

**ii. Pre-emptive Right**

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

**1.3 Power of Inspection**

- All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions. Provided that, such right may be denied by the Board if the requesting stockholder improperly used information secured from prior examination, or is not acting in good faith, or does not have a legitimate purpose for inspecting the records, or if the Board determined it necessary to safeguard the rights and legitimate interest of the Corporation such as when the records to be inspected contain sensitive or confidential information or are covered by a confidential or non-disclosure obligation which will be breached by the Corporation if such records were made available for inspection.

**1.4 Right to Information**

- The Shareholders shall be provided, upon request, with periodic reports which

disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors, and officers.

- Subject to the provisions of the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof and the By-Laws, the minority shareholders shall be granted the right to propose the holding of a meeting, provided the items are for legitimate business purposes. The determination of whether any proposed item in the agenda of the proposed meeting is for a legitimate business purpose shall rest solely upon the discretion of the Board.
- The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

#### 1.5 Right to Dividends

- Shareholders with cumulative fixed dividend feature, as of the record date fixed by the Board in the resolutions declaring dividends on such shares, shall have the right to receive dividends subject to the discretion of the Board and in accordance with the Corporation Code, the rules and regulations issued by the Commission in the implementation thereof of the Articles of Incorporation of the Corporation.
- The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board; or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

#### 1.6 Appraisal Right

- The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the

following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; provided that, a sale or other disposition shall be deemed to cover substantially all of the corporate property or assets of thereby the Corporation will be rendered incapable of continuing the business or accomplishing the purpose for which it was organized;
- In case of merger or consolidation.

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

#### **X. MONITORING ASSESSMENT**

1. Each Committee shall report regularly to the Board of Directors.
2. The Compliance Officer shall establish an evaluation system to determine and Measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.
3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SECForm17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

4. This Manual shall be subject to quarterly review unless the same frequency is amended by the Board. This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.
3. All business processes and practices being performed within any department or business unit of Model Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the complaint extent.

**XI. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the Company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:
  - i. In case of first violation, the subject person shall be reprimanded.
  - ii. In case or second violation, the subject person shall be suspended from office. The duration of the suspension shall depend on the gravity of the violation.
  - iii. In case of third violation, the maximum penalty of removal from office shall be imposed.
2. The commission of a third violation of this manual by any member of the board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
3. The Compliance Officer shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

As approved by the Board of Directors on June 20, 2022.