

COVER SHEET

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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

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MANUAL ON CORPORATE GOVERNANCE 2020

Company's Email Address <table border="1" style="width: 100%;"><tr><td>www.panasonic.com/ph</td></tr></table>	www.panasonic.com/ph	Company's Telephone Number/s <table border="1" style="width: 100%;"><tr><td>635-2260 to 65</td></tr></table>	635-2260 to 65	Mobile Number <table border="1" style="width: 100%;"><tr><td>N/A</td></tr></table>	N/A
www.panasonic.com/ph					
635-2260 to 65					
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No. of Stockholders <table border="1" style="width: 100%;"><tr><td>453</td></tr></table>	453	Annual Meeting Month/Day <table border="1" style="width: 100%;"><tr><td>3RD Friday of July</td></tr></table>	3RD Friday of July	Fiscal Year Month/Day <table border="1" style="width: 100%;"><tr><td>March 31st</td></tr></table>	March 31st
453					
3RD Friday of July					
March 31st					

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person <table border="1" style="width: 100%;"><tr><td>Atty. Mamerto Mondragon</td></tr></table>	Atty. Mamerto Mondragon	Email Address <table border="1" style="width: 100%;"><tr><td>mzmlaw@yahoo.com</td></tr></table>	mzmlaw@yahoo.com	Telephone Number/s <table border="1" style="width: 100%;"><tr><td>(632) 8818 7739</td></tr></table>	(632) 8818 7739	Mobile Number <table border="1" style="width: 100%;"><tr><td>N/A</td></tr></table>	N/A
Atty. Mamerto Mondragon							
mzmlaw@yahoo.com							
(632) 8818 7739							
N/A							

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal
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Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



MANUAL ON CORPORATE GOVERNANCE

Panasonic Manufacturing Philippines Corporation

PANASONIC MANUFACTURING PHILIPPINES CORPORATION (PMPC)

MANUAL ON CORPORATE GOVERNANCE

Table of Contents

Introduction	1
1.0 Definition of Terms	1
2.0 Board Governance	3
2.1 Composition of the Board	3
3.0 Board Roles and Responsibilities	3
3.1 General Responsibilities	3
3.2 Duties and Functions	4
3.3 Establishment of Formal Board Nomination and Election Process	5
3.4 Internal Control Responsibilities of the Board	7
3.5 Overseeing Board Succession Planning	8
3.6 Remuneration of Directors and Officers	9
3.7 Overseeing Risk Management	9
4.0 Board Effectiveness	9
4.1 Board Committees	9
4.2 Board and Committee Charters	15
4.3 Board Meeting and Quorum Requirement	16
4.4 Board Seat Limit	16
4.5 Prior Training for First Time Director	17
4.6 Board Diversity	17
4.7 Assessing Board Performance	17
4.8 Corporate Secretary and Compliance Officer	18
5.0 Board Independence	19
5.1 Qualification of Independent Director	19
5.2 Number of Independent Director on the Board	20
5.3 Term Limits for Independent Director	20
5.4 Separation of the Role of the Chairman of the Board and Chief Executive Officer Positions	20
5.5 Balance of Non-Executive and Executive Directors on the Board	22
5.6 Board Ethics	22
6.0 External Auditor's Independence and Improving Audit Quality	22
7.0 Non-Financial and Sustainability Reporting	23
8.0 Access to Relevant Information	23
9.0 Internal Control System and Enterprise Risk Management Framework	23
9.1 The Internal Audit	23

9.2	Chief Audit Executive	24
9.3	Risk Management Framework	25
9.4	Chief Risk Officer	25
10.0	Promoting Shareholder Rights	26
11.0	Rights of Stakeholders	27
12.0	Employees' Participation	27
13.0	Sustainability and Social Responsibility	28
14.0	Disclosure and Transparency	28
15.0	Conflict of Interest	29
16.0	Related Party Transaction	30
17.0	Insider Trading	31
17.1	General Policy	31
17.2	Trading on Material Nonpublic Information	31
17.3	Tipping	31
17.4	Confidentiality of Nonpublic Information	31
18.0	Communication and Information	31
18.1	Management Responsibility for Information	31
18.2	The Investor Relation Function	32
18.3	Communication of this Manual	32
19.0	Accountability and Audit	32
20.0	Governance Self-Rating System and Training	34
20.1	Self-Rating System	34
20.2	Training	34
	Signatories	35

PANASONIC MANUFACTURING PHILIPPINES CORPORATION (PMPC)

MANUAL ON CORPORATE GOVERNANCE

Good corporate governance practice is an important ingredient in creating and sustaining shareholder value and ensuring integrity and ethical, legal and transparent behavior.

This Corporate Governance Manual, along with the PMPC's By-laws, the Board Committee Charters and the Code of Conduct, provide the framework for the governance of Panasonic Manufacturing Philippines Corporation ("the Company"). This Manual has been approved by PMPC Board to apply to PMPC and its subsidiary.

PMPC is presently a publicly listed company. As such, there is an obligation to comply with the SEC's implementing rules and regulations particularly the Code on Corporate Governance ("the Code"). All relevant provisions of the Code have been adopted in this Corporate Governance Manual.

The practices set out in this document are reviewed regularly by the Compliance Officer and the Audit Committee. They may, from time to time, be amended to ensure that PMPC continues to act in accordance with appropriate corporate governance best practices.

1. DEFINITION OF TERMS

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

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

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

- b) **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
- c) **Management** – 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;
- d) **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;
- e) **Executive director** – director who has executive responsibility of day-to-day operations of a part or the whole of the organization;

- f) **Non-executive director** – a director who has no executive responsibility and does not perform any work related to the operations of the corporation;
- g) **Non-audit work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;
- h) **Internal control** - a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization’s policies and procedures;
- i) **Internal control system** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
- j) **Internal audit** – an independent and objective assurance activity designed to add value to and improve the corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;
- k) **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;
- l) **Enterprise Risk Management** - a process, effected by an entity’s Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives;
- m) **Related Party** - shall cover the company’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 (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the company.

- n) **Related Party Transaction** - 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.
- o) **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.

2. BOARD GOVERNANCE

The Board of Directors (the "Board") is primarily responsible for the governance of the Company. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

2.1. Composition of the Board

- 2.1.1. The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders. The board is headed by Chairman of the board.
- 2.1.2. The Company shall have at least three (3) independent directors or such number of independent directors that constitute twenty percent (30%) of the members of the Board, whichever is higher, but in no case less than (3). The Board should be composed of a majority of non-executive directors who possess the necessary qualifications.
- 2.1.3. The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board shall 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.
- 2.1.4. The membership of the Board shall 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.

3. BOARD ROLES AND RESPONSIBILITIES

3.1. General Responsibilities

- 3.1.1. It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders and other stakeholders.
- 3.1.2. The Board should formulate the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

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

3.2. Duties and Functions

- 3.2.1. To ensure a high standard of best practice for the Company, its stockholders and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:
- a) The board should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders.
 - b) The board should oversee the development of and approve the company's business objective and strategy and monitor their implementation, in order to sustain the company's long-term viability and strength.
 - c) The board should be headed by a competent and qualified Chairperson.
 - d) Ensure and adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value.
 - e) Aligning key executive and board remuneration with the longer term interest of the company. It should formulate and adopt policy specifying the relationship between remuneration and performance. No director should participate in discussion or deliberations involving his own remuneration.
 - f) Establish formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy should include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director.
 - g) Ensure the establishment of corporate-wide policy and system governing related party transactions and other unusual or infrequently occurring transactions that exceed materiality thresholds.
 - h) The board is 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 (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive).
 - i) 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.
 - j) 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. The Board should also approve the Internal Audit Charter.
 - k) 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.

3.3. Establishment of Formal Board Nomination and Election Process

- 3.3.1. It is the Board's responsibility to develop a policy on board nomination. The policy should encourage shareholders' participation by including procedures on how the Board accepts nominations from minority shareholders. The policy should also promote transparency of the Board's nomination and election process.
- 3.3.2. The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates: (1) 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 the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members. If necessary, the company shall tap a professional search firms or external sources when searching for candidates to the Board.

3.3.3. Qualification of Directors

- 3.3.3.1. In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:
- 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.

3.3.4. Disqualification of Directors

3.3.4.1. Permanent Disqualification

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

- a) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) 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 (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

- b)** Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas (BSP) or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.
The disqualification should also apply if (a) such person is the subject of an order of the SEC, 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 SEC or BSP, or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) 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 judgment or order by a court, or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- d)** Any person who has been adjudged by final judgment or order of the SEC, 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 SEC or BSP;
- e)** Any person judicially declared as insolvent;
- f)** Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated 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 SEC may provide.

3.3.4.2. Temporary Disqualification

The Board may provide for the temporary disqualification of a director for any of the following reasons:

- a) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
- b) Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he 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 judgments or orders cited in the grounds for permanent disqualification has not yet become final.

3.3.5. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Company towards sustained progress.

A director should observe the following norms of conduct:

- a) Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.
- b) (Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.
- c) Act judiciously.
- d) Exercise independent judgment.
- e) Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.
- f) Observe confidentiality.

3.4. Internal Control Responsibilities of the Board

The control environment of the corporation consists of (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and

effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules and contracts.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility include:
 - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Company's organizational and operational control;
 - b) Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
 - c) Evaluation of proposed senior management appointments;
 - d) Selection and appointment of qualified and competent management officers; and
 - e) Review of the Company's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.
- (ii) The scope and particulars of the systems of effective organizational and operational controls may differ among corporations depending on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
- (iii) A corporation shall establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor to perform the audit function, and require him to report to a level in the organization that allows the internal audit activity to fulfil its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

3.5. Overseeing Board Succession Planning

- 3.5.1. The Board is 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 should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the corporation.
- 3.5.2. It is the directors' responsibility to make sure that the company is prepared to select, compensate and when necessary, replace its Chief Executive Officer (CEO) and key officers, with minimal disruption of the company's operations. This is achieved by implementing a process of selection of competent, professional, honest and highly motivated management officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.
- 3.5.3. A good succession plan is linked to the documented roles and responsibilities for each position, and should start in objectively identifying the key knowledge, skills, and abilities

required for the position. For any potential candidate identified, a professional development plan is defined to help the individuals prepare for the job (e.g., training to be taken and cross experience to be achieved). The process is conducted in an impartial manner and aligned with the strategic direction of the organization

3.6. Remuneration of Directors and Officers

- 3.6.1. The levels of remuneration of the corporation should be sufficient to be able to attract and retain the service of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.
- 3.6.2. The Company establishes formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the Company. No directors should participate in deciding on his remuneration.
- 3.6.3. The Company's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.
- 3.6.4. To protect the funds of a Company, the Commission may, in exceptional cases, e.g., when the Company is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

3.7. Overseeing Risk Management

- 3.7.1. The Board shall ensure that the company has a sound risk management framework and infrastructure that will clearly identify, source, prioritize, assess and manage key business risks, and will monitor companywide risk management performance on an ongoing basis. This framework shall be in accordance with the expectations of SEC and PSE.
- 3.7.2. The company shall also disclose its risk management system, which should be done through the ACGR. In addition, the companies' Board should also set up a mechanism by which the function of overseeing management of their risks is effectively discharged. To accomplish this, it will use the Enterprise Risk Management framework.

4. BOARD EFFECTIVENESS

4.1. Board Committees

Board committees should 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. It should also be fully disclosed on the company's website.

4.1.1. Audit Committee

The committee is composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, is independent directors. All of the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairperson of the Audit Committee is not the Chairperson of the Board or of any other committees. The committee shall have the following functions:

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

- a)** Recommends the approval 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, monitors and evaluates 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 in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c)** Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services;
- d)** Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit Committee;
- e)** Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- f)** Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g)** Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews 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 committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence³. The non-audit work, if allowed, shall be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- h)** Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices

- Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- i) Reviews the disposition of the recommendations in the External Auditor's management letter;
 - j) Performs oversight functions over the corporation's Internal and External Auditors. It ensures 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) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
 - l) Recommends 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 provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
 - m) Annually assessment of suitability and independence of external auditors; and
 - n) In case the company does not have a Related Party Transactions Committee, performs the functions of said committees.

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

The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties.

4.1.2. Corporate Governance Committee

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It is composed of at least three (3) directors, majority of whom are independent directors, including the Chairperson. It has the following duties and functions, among others:

- a) Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d) Recommends 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) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f) Proposes and plans relevant trainings for the members of the Board;
- g) Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h) Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

The establishment of a Corporate Governance Committee does not preclude companies from establishing separate Remuneration or Nomination Committees, if they deem necessary.

4.1.3. Board Risk Management Committee

Board establishes a separate Board Risk Management Committee (BRMC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness. The BRMC is composed of at least three (3) members, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The BRMC has the following duties and responsibilities, among others:

- a) Develops a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b) Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BRMC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BRMC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- d) Advises the Board on its risk appetite levels and risk tolerance limits;
- e) Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;

- f) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g) Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h) Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

4.1.4. Related Party Transaction Committee

The Related Party Transaction (RPT) Committee is tasked to review all material related party transactions of the company and should be composed of at least three non-executive directors, two of whom should be independent, including the Chairman.

The following are the functions of the RPT Committee, among others:

- a) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors;
- b) Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
 1. The related party's relationship to the company and interest in the transaction;
 2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 3. The benefits to the corporation of the proposed RPT;
 4. The availability of other sources of comparable products or services; and
 5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company shall establish an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- c) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should

include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

- d)** Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- e)** Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- f)** Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

4.1.5. Nomination Committee

A nomination Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualification 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; The following shall be the common recurring duties and responsibilities of the Committee in carrying out its oversight functions. These duties and responsibilities are set forth below as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law or SEC.

- a)** Develop and recommend criteria and procedures for the selection and evaluation of new individuals to serve as Board directors and committee members;
- b)** Pre-screen the qualifications and prepare a final list of all candidates for independent directors;
- c)** Put in place screening policies and parameters to enable it to effectively review the qualifications of nominees for independent directors;
- d)** The Committee shall investigate suggestions for candidates for membership on the Board to provide an appropriate balance of knowledge, experience and capability on the Board;
- e)** After nomination, prepare a final list of candidates which shall contain information about the nominees, including name of person or group of persons who recommended the nomination and relationship;
- f)** Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring Board appointment;
- g)** Provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members;
- h)** In consultation with the executive or management committee/s, re-define the role, duties, and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospect within the realm of good governance at all times;
- i)** Oversee the periodic evaluation of the Board's performance, its committees, and the individual directors. Recommend ways to improve such performance;
- j)** The Committee shall review proposed changes to the Company's Nomination Charters, and make recommendations to the Board;

- k) Undertake other matters as may be delegated by the Board; and
- l) Periodically report on its activities to the Board.

4.1.6. Compensation or Remuneration Committee

A compensation or Remuneration Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

The Committee shall disclose the process used in determining the remuneration of the CEO/President and the four (4) most highly compensated management officers.

The following shall be the common recurring duties and responsibilities of the Committee in carrying out its oversight functions.

- a) Oversee the establishment of a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors.
- b) Provide oversight over remuneration of senior management and other key personnel
- c) Designate amount of remuneration, which shall be in sufficient level to attract and retain qualified and competent directors and officers.
- d) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers.
- e) Disallow any director to decide his or her own remuneration.
- f) 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.
- g) Review the 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 post.
- h) The Committee will annually evaluate the performance of the Committee and the adequacy of the Committee's charter.
- i) The Committee will perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.

The Board Committees shall provide a list of programs it plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

4.2. BOARD AND COMMITTEE CHARTERS

- 4.2.1. The Board shall have 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 company's website.

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

4.3. BOARD MEETINGS AND QUORUM REQUIREMENT

- 4.3.1. The members of the Board shall attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.
- 4.3.2. Independent directors shall attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.
- 4.3.3. The board of director's meeting shall be scheduled before the beginning of the fiscal year. PMPC's monthly board meeting shall be every Thursday of the third week of the month. Scheduling of board meetings before the beginning of the fiscal year allow directors to plan ahead to attend the meeting and maximize participation.
- 4.3.4. Independent and/or non-executive directors shall have a separate meeting during the year without the presence of executive management at least thrice (3) a year.
- 4.3.5. The majority of the directors shall constitute a quorum for transactions of the business at any meeting, but less number may be adjourn any meeting from time to time and the meeting may be held as adjourned without further notice. The resolution at any meeting of the Board of Directors shall always require an affirmative vote of at least majority of the quorum dully assembled as Board.
- 4.3.6. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is 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.
- 4.3.7. 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 the lead independent director.

4.4. BOARD SEAT LIMIT

- 4.4.1. The Board has adopted specific guidelines on the number of directorships that its members can hold in stock and non-stock corporations to ensure the performance of their duties and responsibility.
- 4.4.2. The non-executive directors of the Board shall serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for

meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.

- 4.4.3. A director shall notify his/her incumbent Board before accepting a directorship in another company. This is for the Board to be able to assess if his/her present responsibilities and commitment to the company will be affected and if the director can still adequately provide what is expected of him/her.

4.5. PRIOR TRAINING FOR FIRST TIME DIRECTOR

All directors shall be properly oriented upon joining the board. Newly appointed director shall undergo training for first-time director and relevant annual continuing training for all directors. The suggested orientation program for first-time directors be for at least eight (8) hours, while the annual continuing training be for at least four (4) hours. The orientation program shall cover SEC-mandated topics on corporate governance.

4.6. BOARD DIVERSITY

- 4.6.1. The board should have the right mix of background and competencies based on the ever-changing strategic and requirements of the company. The company shall recognize and embrace the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. The Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between Directors. The board shall include female in the board directorship.
- 4.6.2. The Board Governance Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

4.7. ASSESSING BOARD PERFORMANCE

- 4.7.1. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment shall be supported by an external facilitator
- 4.7.2. The Board should have in place a system that provides, at the minimum, 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.

4.8. CORPORATE SECRETARY AND COMPLIANCE OFFICER

4.8.1. The Corporate Secretary

The board shall be assisted by a seasoned corporate secretary who does not hold the position of compliance officer under the same company. The Corporate Secretary has, among others, the following duties and responsibilities:

- a)** Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b)** Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the corporation;
- c)** Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- d)** Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
- e)** Advises on the establishment of board committees and their terms of reference;
- f)** Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g)** Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- h)** Performs required administrative functions;
- i)** Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j)** Performs such other duties and responsibilities as may be provided by the SEC.

4.8.2. The Compliance Officer

The board shall be assisted by a compliance officer. The Compliance Officer is a member of the company's management team in charge of the compliance function. He/she has, among others, the following duties and responsibilities:

- a)** Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b)** Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c)** Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d)** Ensures the integrity and accuracy of all documentary submissions to regulators;

- e) Appears before the SEC when summoned in relation to compliance with this Code;
- f) Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g) Identifies possible areas of compliance issues and works towards the resolution of the same;
- h) Ensures the attendance of board members and key officers to relevant trainings; and
- i) Performs such other duties and responsibilities as may be provided by the SEC.

5. BOARD INDEPENDENCE

5.1. Qualification of Independent Director

- 5.1.1. The presence of independent directors in the Board is to ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the corporation.
- 5.1.2. 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.
- 5.1.3. It is therefore important that the non-executive directors, including independent directors, possess the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board.

An Independent Director refers to a person who, ideally:

- a) Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
- b) Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
- c) Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
- d) Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
- e) Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f) Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- g) Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal

- stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
 - i) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company 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 covered company 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 covered company's executives serve as directors.

5.2. Number of Independent Director on the Board

The Board shall have at least three independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

5.3. Term Limits for Independent Director

- 5.3.1. The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company 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 shareholders' meeting.
- 5.3.2. Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.
- 5.3.3. Any term beyond nine years for an ID is subjected to rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must provide a meritorious justification for the re-election.

5.4. Separation of the Role of the Chairman of the Board and Chief Executive Officer Positions

The roles of Chair and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by

the Board. A clear delineation of functions shall be made between the Chair and CEO upon their election.

5.4.1. Chairman of the Board

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:

- a) Makes 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) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f) Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

5.4.2. President / CEO

Minimum internal control mechanism for management's operational responsibility shall center on the President/ CEO being ultimately accountable for the Company's organizational and procedural controls. In addition to the duties imposed on the President/CEO by the Board of Directors, the President shall:

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

If the positions of Chairs and CEO are unified, the proper checks and balances are laid down to ensure that the Board gets the benefit of independent views and perspectives.

5.4.3. Lead Director

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

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

- i. Serves as an intermediary between the Chairman and the other directors when necessary;
- ii. Convenes and chairs meetings of the non-executive directors; and
- iii. Contributes to the performance evaluation of the Chairman, as required.

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

5.5. Balance of Non-Executive and Executive Directors on the Board

The membership of the Board shall be a combination of non-executive directors, which include IDs and executive directors in order that no director or small group of directors can dominate the decision-making process. The NEDs should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

5.6. Board Ethics

- 5.6.1. The Board shall adopt a Code of Business Conduct and Ethics, which would 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 company's website.
- 5.6.2. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

6. EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

- 6.1. 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 shall 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 company website and required disclosures.

- 6.2. The Audit Committee Charter shall include the Audit Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter shall contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
- 6.3. The company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could impair the external auditor's objectivity.

7. NON-FINANCIAL AND SUSTAINABILITY REPORTING

- 7.1. The company shall ensure that the material and reportable non-financial and sustainability issues are disclosed.
- 7.2. The Board shall establish a clear and focus 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. Companies shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

8. ACCESS TO RELEVANT INFORMATION

- 8.1. The company 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.
- 8.2. The company shall include, if necessary, 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. These are all embodied in the company's investor relation policy and disclosure rules policy.

9. INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

The company ensures the integrity, transparency and proper governance in the conduct of its affairs, the company shall establish strong and effective internal control system and enterprise risk management framework taking into account its size, risk profile and complexity of operations.

The Company shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

9.1. The Internal Audit

A separate internal audit function is essential to monitor and guide the implementation of company policies. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the company's governance, risk management and control functions.

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

- a) Provides 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 (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b) Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c) Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- f) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g) Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h) Monitors and evaluates governance processes.

9.2. Chief Audit Executive

Subject to a company's size, risk profile and complexity of operations, it shall have 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. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel shall be assigned the responsibility for managing the fully outsourced internal audit activity.

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

- a) Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c) Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d) Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e) Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and

- f) Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

9.3. Risk Management Framework

PMPC subject to its size, risk profile and complexity of operations, the company shall have a separate risk management function to identify, assess and monitor key risk exposures.

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

- a) Defining a risk management strategy;
- b) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- c) Evaluating and categorizing each identified risk using the company'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 company, 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 organization's risk management processes.
- h)

9.4. Chief Risk Officer

In managing the company's Risk Management System, the company shall have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

The CRO has the following functions, among others:

- a) Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- b) Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- c) Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
- d) Suggests ERM policies and related guidance, as may be needed; and
- e) Provides insights on the following:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

There should be clear communication between the Board Risk Oversight Committee and the CRO.

10. PROMOTING SHAREHOLDER RIGHTS

- 10.1. The company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.
- 10.2. It is the responsibility of the Board to adopt a policy informing the shareholders of all their rights. Shareholders are encouraged to exercise their rights by providing clear-cut processes and procedures for them to follow. Shareholders' rights relate to the following, among others:
- Pre-emptive rights;
 - Dividend policies;
 - Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;
 - Right to nominate candidates to the Board of Directors;
 - Nomination process; and
 - Voting procedures that would govern the Annual and Special Shareholders' Meeting.
- 10.3. 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.
- 10.4. The Board shall also encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website within five business days from the end of the meeting.

10.5. Alternative Dispute Resolution

- 10.5.1. The Board shall make available, at the option of a shareholder an Alternative Dispute Resolution (ADR) procedures to resolve intra-corporate disputes in an amicable and effective manner.
- 10.5.2. The shareholders shall be informed of the company's processes and procedures when seeking to redress the violation of their rights. Putting in place proper safeguards ensures suitable remedies for the infringement of shareholders' rights and prevents excessive litigation.

10.6. Investor Relation Officer

- 10.6.1. The Investor Relations Office (IRO) ensures constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting.
- 10.6.2. The IRO has a designated investor relations officer, email address and telephone number. Further, creating an Investor Relations Program ensures that all information regarding the activities of the company are properly and timely communicated to shareholders. The investor relation program is delineated in the investor relation policy.
- 10.6.3. The Board shall be transparent and fair in the conduct of the annual and special stockholders meetings of the Company. 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 shall be resolved in the stockholder's favor.

- 10.6.4. 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 for them to seek timely redress for breach of their rights.
- 10.6.5. 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. Accurately 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.
- 10.6.6. Although all stockholder 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 Company

11. RIGHTS OF STAKEHOLDERS

- 11.1. 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
- 11.2. The Board identifies the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.
- 11.3. The Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.
- 11.4. The Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

12. EMPLOYEES' PARTICIPATION

- 12.1. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.
- 12.2. The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the company's culture.
- 12.3. Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement. The said framework is embodied in the Company's Whistle Blower Policy and Procedures duly approved by the Board.

13. SUSTAINABILITY AND SOCIAL RESPONSIBILITY

13.1. The company shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

13.2. The company's value chain consists of inputs to the production process, the production process itself and the resulting output. Sustainable development means that the company not only complies with existing regulations, but also voluntarily employs value chain processes that takes into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the company plays an indispensable role alongside the government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

14. DISCLOSURE AND TRANSPARENCY

14.1. It is therefore essential that all material information about the corporation which could adversely affect its viability or the interest if of its stockholders and other stakeholders shall be publicly and timely disclosed.

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

14.3. The Company's directors and officers are required to disclose/report to the company any dealings in the company's shares within five (5) business days.

14.4. The Board shall disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

14.5. The company shall disclose of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. It shall also disclose the remuneration of directors, including termination and retirement provisions

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

14.7. The company 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. Moreover, 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.

15. CONFLICT OF INTEREST

The personal interest of directors and officers shall never prevail over the interest of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. They must promote the common interest of all shareholders and the Company without regard to their own personal and selfish interest.

- a) A conflict of interest exist when a director or an officer of the Company -
 - (i) Supplies or is attempting or applying to supply goods or services to the Company;
 - (ii) Supplies or is attempting to supply goods or services or information to an entity in competition with the Company;
 - (iii) By virtue of his office, acquires or is attempting to acquire to himself a business opportunity which should belong to the Company;
 - (iv) Is offered or receives consideration for delivering the Company's business to a third party;
 - (v) Is engaged or attempting to engage in a business or activity which competes with or works contrary to the best interest of the Company.
- b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has a continuing conflict of interest of a material in nature should either resign or, if the Board deems appropriate, be removed from the Board.
- c) A contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all of the following conditions are present:
 - (i) The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
 - (ii) The vote of such director was not necessary for the approval of the contract;
 - (iii) The contract is fair and reasonable under the circumstances;
 - (iv) In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director is made at such meeting; and provided further that the contract is fair and reasonable under the circumstances.

- d) Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, thereby obtaining profits to the prejudice of the Company, the director must account to the latter for all such profit by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-third (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own fund in the venture.
- e) The foregoing is without prejudice to the Company's existing Code of Conduct and Ethics for its officers, employees and staff.

16. RELATED PARTY TRANSACTION

- 16.1. The Company shall avoid related party transactions. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers. The disclosure shall be in accordance with the Philippine Accounting Standard (PAS) 24 on Related Parties and SEC's implementing rules and regulations.
- 16.2. Members of the board and key executives are required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation. Board members must abstain from participating in the board discussion on a particular agenda when they are conflicted. Individual directors should be conscious of shareholders and public perceptions and seek to avoid situations where there might be an appearance of conflict of interest.
- 16.3. All material related party transaction shall be reviewed by the Related Party Transaction Committee or Audit Committee to determine whether they are in the best interest of the company and shareholders. Loans to directors as much as possible be prohibited or ensuring that they are being conducted at arm's length bases and at market rates.
- 16.4. A director should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.
- 16.5. Ensuring the integrity of related party transactions is an important fiduciary duty of the director. It is the Board's role to initiate policies and measures geared towards prevention of abuse and promotion of transparency, and in compliance with applicable laws and regulations to protect the interest of all shareholders. One such measure is the required ratification by shareholders of material or significant RPTs approved by the Board, in accordance with existing laws. Other measures include ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders.

The following shall be adopted to strengthen the related party transaction policy:

- Definition of related parties;
 - Coverage of RPT policy;
 - Guidelines in ensuring arm's-length terms;
 - Identification and prevention or management of potential or actual conflicts of interest which arise;
 - Adoption of materiality thresholds;
 - Internal limits for individual and aggregate exposures;
 - Whistle-blowing mechanisms, and
 - Restitution of losses and other remedies for abusive RPTs.
- 16.6. Disclosure of related party transactions and similar matters involving possible conflicts of interest should be full, accurate and timely, and its content should be at par with the information made available to Directors and other insiders of the company.
- 16.7. All material or significant related party transactions reviewed and approved during the year shall be disclosed in the annual corporate governance report.

17. INSIDER TRADING

17.1. General Policy

It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the work-place and the misuse of Material Nonpublic Information in securities trading.

17.2. Trading on Material Nonpublic Information.

No director, officer, or employee of, or consultant or contractor to, the Company, and no member of the immediate family or household of any such person, shall engage in any transaction involving a purchase or sale of Company's securities, including any offer to purchase or offer to sell, during any period commencing with the date that he or she possesses Material Nonpublic Information concerning the Company, and ending at the close of business on the second Trading Day following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material. As used herein, the term "Trading Day" shall mean a day on which stock exchanges are open for trading.

17.3. Tipping.

No Insider shall disclose ("tip") any Material Nonpublic Information to any other person in the securities of the Company (including family members), nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company's securities.

17.4. Confidentiality of Nonpublic Information.

Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden.

18. COMMUNICATION AND INFORMATION

18.1. Management Responsibility for Information

- 18.1.1. To enable the members of the Board to properly fulfil their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings. Board members require relevant information on a timely basis in order to support their decision making. Board papers shall be provided to board members at least five (5) business days before the scheduled board meeting to ensure that matters brought before the board have been carefully studied and the opportunity for the board to formulate intelligent questions for upcoming meeting.
- 18.1.2. Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.
- 18.1.3. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

18.1.4. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Company's expense.

18.2. The Investor Relations Function

There shall be an Investor Relations Division within the Company, which shall be tasked with—

- (i) Creation and implementation of an investor relation program reaches out to all shareholders and fully informs them of corporate activities;
- (ii) Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently;
- (iii) Preparation of disclosure documents to the SEC and the Philippine Stock Exchange; and
- (iv) Dissemination of this Manual, and the Conduct of an orientation program for the Board and Management.

The Investor Relation Office shall report to the Chief Financial Officer who shall oversee all reporting and disclosures to the SEC and PSE. Investor relation personnel shall be guided by the company's written policy on investor relation program duly approved by management.

18.3. Communication of This Manual

This Manual shall be submitted to and made available at the SEC. It shall also be available for inspection by any stockholder of the Company at its principal office during reasonable hours on a business day.

All directors, executives and officers of the Company are required to ensure complete dissemination of this Manual to all employees and enjoin compliance in the process. If necessary, funds shall be allocated for orientation programs or workshops to implement this Manual.

19. ACCOUNTABILITY AND AUDIT

19.1. The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well reports that are required by law.

19.2. It is essential that Management provide all members of the Board with accurately and timely information that would enable the Board to comply with its responsibilities to the stockholders.

19.3. Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- (i) The extent of its responsibilities in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders;
- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- (iv) The Company should consistently comply with the financial reporting requirements of the Commission;
- (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures; control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

19.4. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.

19.5. If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of affectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between him and the corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission.

19.6. If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said reports.

20. GOVERNANCE SELF-RATING SYSTEM AND TRAINING

20.1. Self-Rating System

20.1.1. The Board shall create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Code. This shall be annually conducted and facilitated by Compliance Officer and Audit Committee, which shall discuss the results thereof at a Board meeting. Independent consultants may also be invited by the Compliance Officer and the Audit Committee in this process.

20.1.2. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's annual report.

20.2. Training

20.2.1. The Company shall provide a comprehensive orientation program for new directors, including an understanding of the contribution that the Director is expected to make, an explanation of the Board and its committees, and an explanation of the Company's business, including Corporate Governance and other issues that will assist them in discharging their duties.

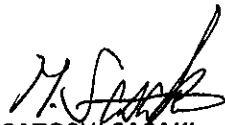
20.2.2. The Company shall also provide general access to training courses to its directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Company's business. The Board Committees may also hire independent legal counsel, accounting or other consultants to advise them when necessary.

20.2.3. The suggested orientation program for first-time directors be for at least eight (8) hours, while the annual continuing training be for at least four (4) hours. The orientation program shall cover SEC-mandated topics on corporate governance.

Effective Date

The Manual on Corporate Governance was first adopted by the Board of Directors of the Company on September 2, 2002 and was revised on December 30, 2009, July 31, 2014, May 20, 2017 and July 30, 2020. It shall be effective immediately upon signing hereof.

Manual Read and Approved by:



MASATOSHI SASAKI
Chairman of the Board



MA. VIRGINIA AREVALO
Compliance Officer

Date of Signing: September 29 , 2020