

**AMENDED MANUAL ON CORPORATE GOVERNANCE  
AGRINURTURE, INC.**

No. 54 National Road, Dampol II-A, Pulilan, Bulacan

**Article 1: OBJECTIVE**

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

The Board of Directors, Management, Employees and Shareholders of Agrinurture, Inc. (the "Corporation") believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create within the organization as soon as possible.

**Article 2: DEFINITION OF TERMS**

- a) Corporate Governance – the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders;
- b) Board of Directors – the governing body elected by the stockholders that exercises the corporate powers of the Corporation, conducts all its business and controls its properties;
- c) Exchange – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities;
- d) Management – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;
- e) Key Management – officers of the Corporation identified by the Board of Directors whose functions are essential to the success of the Corporation, namely, the Chief Executive Officer, Chief Financial Officer and the General Managers;
- f) Independent director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
- g) Executive director – a director who is also the head of a department or unit of the Corporation or performs any work related to its operation;
- h) Non-executive director – a director who is not the head of a department or unit of the Corporation nor performs any work related to its operation;

- i) 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;
- j) Internal control – the system established by the Board of Directors and Management for the accomplishment of the corporation's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules;
- k) 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;
- l) 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;
- m) Internal audit department – a department or unit of the Corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations;
- n) Internal Auditor – the highest position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow- up of engagement results.

**Article 3: RULES OF INTERPRETATION**

- A) All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.
- B) All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation.

**Article 4: BOARD GOVERNANCE**

The Board of Directors (the “Board”) is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the

accomplishment of the corporate objectives, it shall provide an independent check on Management.

**A) Composition of the Board**

The Board shall be composed of eleven (11) members who are elected by the stockholders.

The Corporation shall have three (3) independent directors.

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

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's sector/industry. The Board should 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.<sup>1</sup>

The Board shall have diversity in its composition to encourage difference in opinions to promote healthy discussions towards accomplishment of corporate objectives.<sup>2</sup>

**B) Multiple Board Seats**

The non-executive directors of the Board shall only concurrently serve as directors to a maximum of five publicly listed companies.<sup>3</sup>

The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

A director must notify the Board before accepting a directorship in another corporation.<sup>4</sup>

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<sup>1</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 1.1

<sup>2</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 1.4

<sup>3</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 4.2

## C) **The Chairman, Chief Executive Officer and Lead Independent Director**

The roles of Chairman and Chief Executive Officer 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 should be made between the Chair and CEO upon their election.

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

### 1. The Chairman

The duties and responsibilities of the Chair in relation to the Board may include, among others, the following:<sup>5</sup>

- (i) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- (ii) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
- (iii) Maintain qualitative and timely lines of communication and information between the Board and Management;
- (iv) Guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- (v) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (vi) Ensure that the Board sufficiently challenges and inquiries on reports submitted and representations made by Management;
- (vii) Assure the availability of proper orientations for the first-time directors and continuing training opportunities for all directors; and
- (viii) Make sure that performance of the Board is evaluated at least once a year and discussed/followed upon.

### 2. The Chief Executive Officer

The CEO has the following roles and responsibilities, among others:<sup>6</sup>

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<sup>4</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 4.3

<sup>5</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 2.3

- (i) Determine the Corporation's strategic direction and formulates and implements its strategic plan on the direction of the business relative to the policies adopted and approved by the Board;
- (ii) Communicate and implement the Corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- (iii) Oversee the operations of the Corporation and manage human and financial resources in accordance with the strategic plan;
- (iv) Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- (v) Direct, evaluate and guide the work of the key officers of the Corporation;
- (vi) Manage the Corporation's resources prudently and ensure a proper balance of the same;
- (vii) Provide the Board with timely information and interfaces between the Board and the employees;
- (viii) Build the corporate culture and motivates the employees of the Corporation.

### 3. Lead Director

The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman and Chief Executive Officer are held by one person.<sup>7</sup>

The functions of the lead director include, among others:

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

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<sup>6</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 4.3

<sup>7</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 5.5

## D) Qualifications of Directors

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:

- (i) College education or equivalent academic degree;
- (ii) Practical understanding of the business of the corporation;
- (iii) Membership in good standing in relevant industry, business or professional organizations; and
- (iv) Previous business experience.

To ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, the Board may provide for qualifications of independent director which include, among others, the following: <sup>8</sup>

- (i) Is not, or has not been a senior officer or employee of the Corporation, unless there has been a change in the controlling ownership of the Corporation;
- (ii) Is not, and has not been in the three years immediately preceding the election, a director of the Corporation; a director, officer or employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer or employee of the Corporation's substantial shareholders and its related companies;
- (iii) Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as chairman "emeritus", "ex-officio" directors/officers or members of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election
- (iv) Is not an owner of more than two (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- (v) Is not a relative of a director, officer, or substantial shareholder of the Corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

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<sup>8</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 5.2

(vi) Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;

(vii) 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 Philippine Stock Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

(viii) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial 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;

(ix) 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, 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;

(x) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders;

(xi) Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.

## **E) Disqualification of Directors**

### **1. Permanent Disqualification**

The following shall be grounds for the permanent disqualification of a director:<sup>9</sup>

(i) 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;

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<sup>9</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 2.6

(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission 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 shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently 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;

(iii) 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;

(iv) 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 administered by the SEC or BSP;

(v) Any person judicially declared as insolvent;

(vi) 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 previously enumerated;

(vii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

(viii) Other grounds as the SEC may provide.<sup>10</sup>

## 2. Temporary Disqualification

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

(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

(iii) Dismissal or termination for cause as director of any corporation covered by this Manual. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

## **F) Responsibilities, Duties and Functions of the Board**

### 1. General Responsibility

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

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<sup>10</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 2.6

## 2. Duties and Functions

To ensure a high standard of best practice for the Corporation and its stockholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

i) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management;

ii) Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;

iii) Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices;

iv) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporation's CEO or chief financial officer shall exercise oversight responsibility over this program;

v) Identify the sectors in the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;

vi) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness;

vii) Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability;

viii) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children

and dependent siblings and parents, and of interlocking director relationships by members of the Board;

ix) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;

x) Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities;

xi) Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;

xii) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations;

xiii) Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer;

xiv) Adopt a policy on the training of directors, including an orientation program for the first time directors and relevant annual continuing training for all directors;<sup>11</sup>

xv) Oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long-term viability and strength;<sup>12</sup>

xvi) Adopt a transparent policy on board nomination and election process. The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board;<sup>13</sup>

xvii) Conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.<sup>14</sup>

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<sup>11</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 1.3

<sup>12</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 2.2

<sup>13</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 2.6

<sup>14</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 6.1

xviii) Adopt 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.<sup>15</sup>

#### **G) 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 corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the corporation towards sustained progress.

A director should observe the following norms of conduct:

i) A director shall not use his position to profit or gain some benefit or advantage for himself and/or his related interests;

ii) Devote time and attention necessary to properly and effectively discharge his duties and responsibilities.

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

iii) Act judiciously.

Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification;

iv) Exercise independent judgment.

A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollarily, he should support plans and ideas that he thinks are beneficial to the Corporation;

v) Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the Commission and the requirements of relevant regulatory agencies;

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<sup>15</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 6.2

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

- vi) Observe confidentiality.

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

- vii) Should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and its shareholders.<sup>16</sup>

#### H) Internal Control Responsibilities of the Board

The control environment of the Corporation consists of (a) the Board which ensures that the corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation 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 corporation'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, regulations and contracts.

- (i) The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:
  - a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;
  - 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 corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

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<sup>16</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 2.1

- (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) The Corporation may 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 may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

#### **I) Board Meetings and Quorum Requirement**

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so.<sup>17</sup>

In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.<sup>18</sup>

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to the justifiable reasons as provided above.<sup>19</sup>

Independent directors should always 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.

To monitor the directors' compliance with the attendance requirements, the Corporation shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

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<sup>17</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 4.1

<sup>18</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 4.1

<sup>19</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 4.1

## **J) Remuneration of Directors and Officers**

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services 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.

The Corporation may establish 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 Corporation. No director should participate in deciding on his remuneration.

The Corporation'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.

To protect the funds of the Corporation, the Commission may, in exceptional cases, e.g., when the Corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

## **K) Board Committees**

The Board of Directors shall constitute the following committees to assist in adopting and implementing good corporate governance policies and practices:

(i) An Audit Committee which shall consist of at least three (3) directors who shall preferably have accounting and finance backgrounds. Regardless of the number of the members of the Audit Committee, the following shall at all times be members of said committee:

- a) An independent director who shall be the chairman of the Audit Committee;
- b) A director representing the single major Filipino stockholder other than PCD Nominees Corporation.

The Audit Committee shall have the following functions:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This

function shall include regular receipt from Management of information on risk exposures and risk management activities;

c) Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

d) Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;

e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;

h) Review the reports submitted by the internal and external auditors;

i) Review the quarterly, half-year 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
- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements.

j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report and annual corporate governance report;

l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. He shall functionally report directly to the Audit Committee.

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.

m) In case the Corporation does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees.<sup>20</sup>

(ii) A Nomination Committee that shall be composed of three (3) members to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes in the election or replacement of directors. The following shall at all times be members of the Nomination Committee:

- a) An independent director who shall be the chairman of the Nomination Committee;
- c) A director representing the single major Filipino stockholder other than PCD Nominees Corporation.

The Nomination Committee shall, by consensus, agree on the nomination of three (3) qualified persons as independent directors of the Company; if a consensus cannot be reached, each member of the Nomination Committee shall nominate one (1) qualified person as independent director.

(iii) A Corporate Governance and Compensation or Remuneration Committee which shall be composed of at least three (3) members 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 corporation's culture, strategy and the business environment in which it operates. Regardless of the number of the members of the Compensation or Remuneration Committee, the following shall at all times be members of said committee:

- a) An independent director who shall be the chairman of the Compensation or Remuneration Committee;
- c) A director representing the single major Filipino stockholder other than PCD Nominees Corporation.

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<sup>20</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 34 and 3.5

## L) **The Corporate Secretary**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. He should -<sup>21</sup>

- (i) 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 Board and its Committees to set agendas;
- (ii) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;
- (iii) Be loyal to the mission, vision and objectives of the Corporation;
- (iv) Work fairly and objectively with the Board, Management and stockholders;
- (v) Have appropriate administrative and interpersonal skills;
- (vi) If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vii) Have a working knowledge of the operations of the Corporation;
- (viii) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (ix) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (x) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- (xi) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Manual.
- (xii) Performs required administrative functions;
- xiii) Oversee the drafting of the By-Laws and ensure that they conform with regulatory requirements;
- xiv) Performs such other duties and responsibilities as maybe provided by SEC.

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<sup>21</sup> Code of Corporate Governance for Publicly Listed Companies, recommendation 1.5

## **M) The Compliance Officer**

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. He shall perform the following duties:

- (i) Monitor compliance by the corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (ii) Ensure the accuracy of the documentary requirements submitted to regulatory agencies;
- (iii) Ensure the proper orientation of the new directors on the roles, responsibilities, policies and business operations of the Corporation;
- (iv) Appear before the Commission when summoned in relation to compliance with this Manual;

## **Article 5: KEY MANAGEMENT**

The Key Management recognizes that their undivided commitment and utmost loyalty to the Corporation are essential to its success. To this end, Key Management shall not:

- a) Take up any new appointment or election as a director of another corporation (except the Corporation's subsidiaries) without the prior written consent of 70% of the members of the Board; and
- b) During the course of employment with the Corporation and for a period of two (2) years from the cessation of said employment, engage in any activities or businesses which are or will potentially compete, directly or indirectly, with the products and services provided, offered and/or being developed by the Corporation and its subsidiaries in the territories where such products and/or services are being provided, offered or developed by the Corporation and its subsidiaries.

## **Article 6: ADEQUATE AND TIMELY INFORMATION**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.

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 to properly perform his duties and responsibilities.

Hence, the members should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

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 corporation's expense.

#### **Article 7: ACCOUNTABILITY AND AUDIT**

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

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management should 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 responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;
- (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 Corporation'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 Corporation 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 corporation, 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.

- B) 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 Corporation, 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.

If the external auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation'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.

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.

**Article 8: STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS INTERESTS**

- A) The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
- (i) Right to vote on all matters that require their consent or approval;

- (1) Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- (2) Cumulative voting shall be used in the election of directors.
- (3) A director shall not be removed without cause if it will deny minority shareholders representation on the Board.

(ii) Pre-emptive right to all stock issuances of the corporation;

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

(iii) Right to inspect corporate books and records;

All shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries in accordance with the Corporation Code. They shall also be furnished with annual reports, including financial statements, without cost or restrictions.

(iv) Right to information;

- (1) The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of ANI's shares, dealings with ANI, relationships among directors and key officers, and the aggregate compensation of directors and officers.
- (2) The minority shareholders shall be granted the right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- (3) The minority shareholders shall have access to any and all information relating to the matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such

matters in the agenda of the stockholders' meeting, being within the definition of "legitimate business purposes".

(v) Right to dividends; and

- (1) Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- (2) ANI shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board; or (b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining to ANI, such as when there is a need for a special reserve for probable contingencies.

(vi) Appraisal right.

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

- (1) in case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Corporation as provided in the Corporation Code; and

in case of merger or consolidation, it shall be the duty of directors to promote shareholders' rights, remove impediments to the exercise of these rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders

participating meetings and / or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.

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

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

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

Although all stockholders should be treated equally or without discrimination, and without prejudice to compliance with the provisions of the Corporation Code, the Securities Regulation Code and all relevant rules and regulations, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

#### **Article 9: GOVERNANCE SELF-RATING SYSTEM**

The Board may 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 Manual.

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

#### **Article 10: DISCLOSURE AND TRANSPARENCY**

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.

It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

**Article 11: COMMITMENT TO GOOD CORPORATE GOVERNANCE**

The Corporation shall implement this Manual in accordance with the Revised Code of Corporate Governance, Securities and Exchange Commission Memorandum Circular No. 19 Series of 2016 (the “Code”).

This Manual shall be made available for inspection by any shareholder at reasonable hours on business days.

**Article 12: REGULAR REVIEW OF THE MANUAL AND THE SCORECARD**

This Manual shall be reviewed by the Board as deemed necessary at least once every two (2) years.

**Article 13: ADMINISTRATIVE SANCTIONS**

The Corporation acknowledges the administrative sanctions that will be imposed upon it under the Code, after due notice and hearing, if it shall violate any of its provisions.

**Article 14: PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation’s directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any provision of this Manual, except those stated under Article 4 (E) which are grounds for dismissal.

- a. In the case of a first violation, the subject person shall be reprimanded.
- b. In the case of a second violation, suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.
- c. For a third violation, the maximum penalty of removal from office shall be imposed. The commission of a third violation of this

Manual by any member of the Board of ANI or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

The compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend the imposable penalty for such violation to the Chairman of the Board, for further review and approval of the Board.

**Article 15: EFFECTIVITY**

This Revised Manual of Corporate Governance was approved by the Board of Directors on 31 May 2017 and shall become effective on 1 June 2017.

Signed this 31<sup>st</sup> of May 2017 in Pasig City.



**ANTONIO L. TIU**  
*Chairman of the Board*



**ATTY. LISETTE M. ARBOLEDA**  
*Corporate Secretary & Compliance Officer*