

**FRUITAS HOLDINGS, INC.**  
**(formerly, The Lush Company, Inc.)**

**MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors, Management and employees of Frutas Holdings, Inc. (the "Company") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (the "Manual"), and acknowledge that the same may guide the attainment of the Company's values, mission and vision.

**Article 1**  
**OBJECTIVE**

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

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

**Article 2**  
**DEFINITION OF TERMS**

The following terms, when used in the Manual, shall have the meanings ascribed below:

**"Company"** shall mean Frutas Holdings, Inc.

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

**"Board of Directors"** or the **"Board"** shall mean the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

**"BSP"** shall mean the Bangko Sentral ng Pilipinas.

**"Commission"** shall mean the Securities and Exchange Commission.

**"Conflicted Nominee"** shall mean a person nominated for election to the Board of Directors who is engaged in any business which competes with, or is antagonistic to the business of the Company, or a nominee of such person.

**"Enterprise Risk Management"** shall mean 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.

**"Exchange"** shall mean an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities, specifically, the Philippine Stock Exchange.

**"Executive Director"** shall mean a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

**"Independent Director"** shall mean 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.

**"Internal Audit"** shall mean an independent and objective assurance activity designed to add value to and improve the Company'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.

**"Internal Audit Department"** shall mean a department or unit of the Company and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the Company's operations.

**"Internal Auditor"** shall mean the highest position in the Company responsible for internal audit activities.

**"Internal Control"** shall mean 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.

**"Internal Control System"** shall mean the framework under which internal controls are redeveloped 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 Company is exposed.

**"Management"** shall mean the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business or the Company.

**"Manual"** shall mean the Manual of Corporate Governance of the Company.

**"Non-Audit Work"** shall mean 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.

**"Non-Executive Director"** shall mean a director who has no executive responsibility and does not perform any work related to the operations of the corporation.

**"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.

**"Related Party Transactions"** shall mean a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

**"Stakeholders"** shall mean 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.

### **Article 3**

#### **RULES OF INTERPRETATION**

All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favour of promoting transparency, accountability and fairness to the stockholders and investors of the Company.

### **Article 4**

#### **BOARD GOVERNANCE**

##### **A. Board of Directors**

###### **1. Composition of the Board**

The Board shall be composed of at least seven (7) but not more than fifteen (15) directors who shall be elected by the stockholders of the Company at each annual meeting of the stockholders and shall hold office for one year and until their successors are elected and shall have qualified.

The Company shall have at least three (3) Independent Directors or one-third (1/3) of the members of the Board, whichever is higher.

The Board shall be headed by a competent and qualified Chairman. The roles of



the 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 Chairman and the Chief Executive Officer.

In cases where the Chairman is not independent and where the roles of Chair and Chief Executive Officer are combined, the Board, may as it sees prudent, appoint a "Lead Independent Director" among the independent directors, with sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the Lead Independent Director include, among others, the following:

- a. Serving as an intermediary between the Chairman and the other directors when necessary;
- b. Convening and chairing meetings of the non-executive directors; and
- c. Contributing to the performance evaluation of the Chairman, as required.

## 2. **The Chairman of the Board**

*The duties and responsibilities of the Chairman of the Board shall include:*

- a. Ensuring that the meetings of the Board are held in accordance with the Company's by-laws;
- b. Coordinating with the Corporate Secretary in the preparation of the agenda of Board meetings, taking into consideration the suggestions of other directors, Management and officers; and
- c. Maintaining qualitative and timeliness of communication and information between the Board and Management.
- d. Making 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;
- e. Guaranteeing that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- f. Facilitating discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- g. Ensuring that the Board sufficiently challenges and inquires on reports

submitted and representations made by Management;

- h. Assuring the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- i. Making sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

3. **The Chief Executive Officer**

The President, who shall be a director, shall be the Chief Executive Officer. He shall have general charge, supervision and control of the business and affairs of the Company, subject however to the control of the Board of Directors.

Except as otherwise reserved to the Board, the Chief Executive Officer may appoint and discharge all agents and employees of the Company.

Additionally, the Chief Executive Officer shall:

- a. See to it that all resolutions of the Board of Directors are duly carried out;
- b. Vote and represent the shares of stock owned or held by the Company, another company, firm or entity;
- c. Execute on behalf of the Company all contracts, agreements and other instruments affecting the interests of the Company, except as otherwise directed by the Board of Directors;
- d. Preside in all meetings of the stockholders and Board of Directors if the Chairman of the Board is absent and upon the designation or the Chairman of the Board; and
- e. Determine the company's strategic direction and formulate and implement its strategic plan on the direction of the business;
- f. Communicate and implement the company's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- g. Oversee the operations of the company and manage human and financial resources in accordance with the strategic plan;
- h. Have a good working knowledge of the company's industry and market and keep up-to-date with its core business purpose;
- i. Direct, evaluate and guide the work of the key officers of the company;
- j. Manage the company's resources prudently and ensure a proper balance of the same;

- k. Provide the Board with timely information and interfaces between the Board and the employees;
- l. Build the corporate culture and motivate the employees of the company;
- m. Serves as the link between internal operations and external stakeholders;
- n. Perform such other functions as may be incidental to his office.

The Chief Executive Officer may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s), subject always to his supervision and control. (Section 8, Article IV, TLC By-laws)

## **B. Qualifications of Directors**

### **1. Qualifications**

The Nominations and Compensation Committee shall ensure that all nominees to the Board shall:

- a. Have at least one (1) share of stock in the Company registered under his name;
- b. Be at least a college graduate or have sufficient experience in managing the business;
- c. Be at least twenty-one (21) years of age; and
- d. Possess integrity and probity.

In addition to the above qualifications and the grounds for disqualification (enumerated below) for nomination and election to the Board, the Nominations and Compensation Committee shall consider the following guidelines in the determination of the fitness of any nominee for directorships in the Board:

- a. The nature of the business of the corporations which he is a director;
- b. Age of the director;
- c. Number of directorships/active memberships and officerships in other corporations or organizations; and
- d. Possible conflict of interest.

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

The Chief Executive Officer and other executive directors shall submit themselves



to a low indicative limit on membership in other corporate Boards. A similar limit shall apply to independent, non-executive directors who serve as full-time executives to a maximum of five (5) publicly listed companies. In any case, the capacity of directors to serve with diligence shall not be compromised.

A director should notify the Board where he/she is an incumbent director before accepting a directorship in another corporation.

## **2. Disqualifications**

The Nominations and Compensation Committee shall disqualify from the list of nominees any person who, in its reasonable opinion, it considers to be a Conflicted Nominee.

### **a. Grounds for Permanent Disqualification**

The following shall also be disqualified from nomination or election to the Board of Directors of the Company:

- i. Any person convicted by final judgment or order by a competent judicial or administrative body or 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 or any of them;
- 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 or competent jurisdiction from: (a) acting as an 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 or the capacities mentioned in sub-paragraphs (a) and (b) above, or wilfully violating the laws that govern securities and banking activities.
- iii. 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 the BSP or any rule or regulation issued by the Commission or the 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 or a self-regulatory

organization suspending or expelling him from membership, participation or association with a member or participant or the organization;

- iv. Any person convicted by final judgment or order by a court or competent administrative body or an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent act or transgressions;
  - v. Any person finally found by the Commission or a court or other administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or the BSP;
  - vi. Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company;
  - vii. Any person judicially declared as insolvent;
  - viii. 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 in paragraphs (1) to (4) above;
  - ix. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
  - x. Other grounds as the SEC may provide.
- b. Grounds for Temporary Disqualification

The Nominations and Compensation Committee may also place an existing director under temporary disqualification based on the following:

- i. Refusal to fully comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- ii. Absence or non-participation without justifiable reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;



- iii. Dismissal/termination for cause from directorship in another listed corporation, public corporation, registered issuer of securities and holder of secondary license from the Commission. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- iv. If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds 2% of its subscribed capital stock, provided that this disqualification shall be lifted if the limit is later on complied with;
- v. Being under preventive suspension by the Company with respect to Executive Directors;
- vi. 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 be permanent.

### **3. Independent Directors**

The Nominations and Compensation Committee shall ensure that nominees for an independent director shall be 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 of the Company and includes, among others, a person who:

- a. Is not, or has not been a senior officer or employee of the 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 elections, a director of the Company; a director, officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its related companies;
- c. Has not been appointed in the 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 Company, its subsidiaries, associates, affiliates or related companies;

- e. Is not a relative of a director, officer, or substantial shareholder of the 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 Company or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities.
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the 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 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 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 Company's executives serve as directors.

**"Related companies"** refer to (a) the Company's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

**"Substantial shareholder"** is any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company's equity security.

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 Company, but may continue to qualify for nomination and election as a non-independent director. Should the Company decide to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

In case of resignation, disqualification, or cessation of independent directorship and only after notice has been made to the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the



vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nominations and Compensation Committee. Otherwise, the vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

## **C. Responsibilities, Duties and Functions of the Board**

### **1. General Responsibility**

Compliance with the principles of good corporate governance shall start with the Board of Directors.

It shall be the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with the Company's corporate objectives and the best interests of its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. Corollary to setting the policies for accomplishment of the corporate objectives, the Board shall provide an independent check on Management, including the Company's officers. The Board shall ensure that it gets the benefit of independent views and perspectives.

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. 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 fulfil its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. It should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

All directors should be properly oriented upon joining the Board and shall attend relevant annual continuing training to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities.

To avoid groupthink and ensure that optimal decision-making is achieved, the Company shall observe a board diversity policy, not limited to gender diversity but also includes diversity in age, ethnicity, culture, skills, competence and knowledge. The Board shall also 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.

### **2. Duties and Functions**

To ensure a high standard of best practice for the Company, its stockholder and



other stakeholders, the Board, whether acting as a body or through its designated or authorized working committee or department, should conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- a. Act on fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders;
- b. 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. It should fully 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;
- c. Approve the selection and assess 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).
- d. Appoint competent, professional, honest and highly-motivated management officers and adopt an effective succession planning program for Management;
- e. Provide sound strategic policies and guidelines to the Company on major capital expenditures;
- f. Establish programs that can sustain the Company's long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- g. Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices;
- h. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. For this purpose, the Company's Investor Relations Officer shall exercise oversight responsibility over this program;
- i. Identify the stakeholders in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- j. Adopt a system of check and balance within the Board through a regular review of the effectiveness of such system to ensure the integrity of the decision-making and reporting processes at all times;
- k. Adopt a continuing review of the Company's internal control system to maintain its adequacy and effectiveness;

- l. Ensure that the Company shall be socially responsible in all its dealings with the communities where it operates;
- m. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance;
- n. 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;
- o. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability;
- p. Formulate and implement policies and procedures that would ensure the integrity and transparency of related-party transactions between and among the Company, its subsidiaries and affiliates, stockholders, officers and directors, including their spouses, children and parents, and of interlocking director relationships by members of the Board;
- q. Adopt a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties;
- r. Adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behaviour, an anti-corruption policy program, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings and ensure the proper and efficient implementation and monitoring of compliance therewith;
- s. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- t. Establish a corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations;
- u. Establish a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. It shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues;
- v. Adopt a policy informing the shareholders of all their rights, and encourage the exercise of their rights by providing clear-cut processes and procedures for them to follow;
- w. Establish 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. The internal audit function may be housed within the organization or outsourced to qualified independent third party service providers.

- x. Establish an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including regulatory authorities;
- y. 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.
- z. Oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks.
- aa. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly recorded ;
- bb. 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;
- cc. Provide for a system that sets the minimum assessment 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;
- dd. Identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability. It shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders and adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights;
- ee. 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.
- ff. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations; and
- gg. Appoint a Compliance Officer who shall have the rank of at least vice president.



### **3. Internal Control Responsibilities of the Board**

The roles on internal control and responsibility are as follows:

- a. The Board shall ensure that the Company is effectively managed and supervised.
- b. Management shall actively manage and operate the Company in a sound and prudent manner.
- c. The Board and Management shall ensure that organizational and procedural controls are supported by effective management information and risk management reporting systems.
- d. The Company shall have in place an independent internal audit function and mechanism to monitor the adequacy and effectiveness of the Company's governance, operations and information systems.

In the performance of the Board's oversight responsibility, the minimum internal control mechanisms shall include overseeing the implementation of the key control functions, such as risk management, compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

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

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

Thus, a director shall observe the following norms of conduct:

- a. Conduct fair business transactions with the Company and to ensure that personal interest does not conflict with the interests of the Company.  
  
A director with a material interest in any transaction affecting the corporation should abstain from taking part in the deliberations for the same. He shall disclose/report to the company any dealings in the company's shares within three business days.
- b. Devote time and attention necessary to properly discharge his duties and responsibilities.
- c. Act judiciously.
- d. Exercise independent judgment.

- e. Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of 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.

#### **E. Board Meetings and Quorum Requirement**

The conduct of Board meetings and quorum requirement shall follow the Company's by-laws, provided the Board may conduct regular or special meetings through teleconferencing following the rules and regulations of the Commission.

The members of the Board shall attend regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors shall endeavour to always attend Board meetings, provided, however, that their absence shall not affect the quorum requirement. The Board may, to promote transparency, require the presence of at least one (1) independent director.

The non-executive directors (NEDs) should 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.

#### **F. Remuneration of Directors and Officers**

The levels of remuneration of the Company 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 the corporate and individual performance.

The Company shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers, which shall be prepared by the Nominations and Compensation Committee. It is good practice that such policy specify the relationship between remuneration and performance, which includes specific financial and nonfinancial metrics to measure performance and set specific provisions for employees with significant influence on the overall risk profile of the Company.

Key considerations in determining proper compensation include the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director should participate in deciding on his remuneration; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

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

## **G. Board Committees**

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees. Each Committee shall have its own Committee Charter, to be posted on the company's website, stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information, and provide the standards for evaluating the performance of the Committees.

### **1. Nominations and Compensation Committee**

The Board shall create a Nominations and Compensation Committee which shall have at least three (3) voting members who are members of the Board of Directors (one (1) of whom shall be an Independent Director), and one (1) non-voting member in the person of the Vice President for Corporate Human Resources of the Company.

The functions of the Nominations and Compensation Committee shall be as follows:

- a. Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and/or disqualifications as described in this Manual, the Company's By-Laws, and applicable laws;
- b. Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require the Board's approval;
- c. Provide assessment on the Board's effectiveness in directing the process of electing and replacing directors;
- d. Formulate procedures to encourage shareholders' participation by including procedures on how the Board accepts nominations from minority shareholders.
- e. Recommend to the Board any changes or addition to the roles, duties and responsibilities of the Chief Executive Officer, by integrating the dynamic requirements of the business as a going-concern and future expansionary prospects within the realm of good corporate governance at all times;
- f. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment;
- g. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully; and



- h. Carry out such other duties as may be delegated to it by the Board of Directors from time to time.

## 2. **Audit Committee**

The Board shall create an Audit Committee which shall have at least four (4) voting members who are members of the Board of Directors, at least three of which are non-executive directors, including the Independent Directors. The chairman of the Audit Committee shall be an Independent Director.

Each member shall have adequate understanding at least, or competence at most, of the Company's financial management systems and environment.

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. Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- c. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks, including receipt or information on risk exposures and risk management activities;
- d. Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- e. Perform oversight functions over the Internal and External Auditors to ensure that Internal and External Auditors act independently of each other, and that both are given access to all records, properties and personnel to enable them to perform their respective functions;
- f. Review the internal audit plan, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the Company's objectives;
- g. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- h. Review the disposition of the recommendations in the External Auditor's management letter;
- i. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit;

- j. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- k. Review the reports submitted by Internal and External Auditors;
- l. Review the quarterly and annual financial statements before their submission to the Board with particular focus on the following matters:
  - i. Any change/s in accounting policies and practices;
  - ii. Major judgmental areas;
  - iii. Significant adjustments resulting from the audit ;
  - iv. Going-concern assumptions;
  - v. Compliance with accounting standards; and
  - vi. Compliance with tax, legal and regulatory requirements;
- m. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- n. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- o. Evaluate, determine, and disclose the Non-Audit Work, if any, of External Auditor, and review periodically the non-audit fees paid to External Auditor. The Audit Committee shall disallow any Non-Audit Work that will conflict with the primary duties of the External Auditor or may pose a threat to the External Auditor's independence;
- p. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. 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; and
- q. Oversee the implementation of risk management and related party strategies and policies, including but not limited to the following:
  - i. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions ("RPTs") are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured;

- ii. Evaluate all material RPTs to ensure that these are not undertaken on more favourable economic terms (e.g. price, commission, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated 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;
- iii. Ensure 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 interests or potential conflicts of interest;
- iv. Report 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;
- v. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- vi. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

### 3. **Corporate Governance Committee**

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities and shall consist of at least three (3) voting members who are members of the Board of Directors (all of which shall be Independent Directors). The Committee shall have the following functions, among others that may be delegated by the Board:

- a. Overseeing 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. Overseeing 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. Ensuring 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. Recommending 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. Adopting corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposing and planning relevant trainings for the members of the Board;
- g. Determining 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. Establishing a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the company's culture and strategy as well as the business environment in which it operates.

#### **4. Executive Committee**

The Board shall constitute Executive Committee composed of not less than three (3) members of the Board, to be appointed by the Board. Such committee may act, by a majority vote of all its members, on such specific matters within the competence of the Board as may be delegated to it by the Board from time to time, subject to the limitations under applicable laws.

The Executive Committee shall report directly to the Board.

#### **H. The Corporate Secretary**

The Corporate Secretary is an officer of the Company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come his duties.

The Corporate Secretary, who should not be a member of the Board and should be a separate individual from the Compliance Officer, shall be a Filipino citizen and a resident of the Philippines. The Corporate Secretary is primarily responsible to the company and its shareholders, and not the Chairman or President of the Company.

The Board of Directors may elect an Assistant Corporate Secretary who may act in behalf of the Corporate Secretary in the latter's absence.

The Corporate Secretary and/or the Assistant Corporate Secretary shall have 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. Be responsible for the safekeeping and preservation or the integrity of the minutes of meetings of the Board and its committees, as well as other official records of the Company;
- c. Be loyal to the mission, vision and objectives of the Company;
- d. Work fairly and objectively with the Board, Management and stockholders and other stakeholders;
- e. Have appropriate administrative and interpersonal skills;
- f. If he is not at the same time the Company's legal counsel, be aware of the laws, rules and regulations in the performance of his duties and responsibilities;
- g. Have a working knowledge of the Company's operations;
- h. Inform the members of the Board, in accordance with the by-laws or the agenda of the meetings at least five working days in advance and ensure that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- i. Attend all board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- j. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements;
- k. Ensure that all Board procedures, rules and regulations are strictly followed by the Board members; and
- l. To monitor the director's compliance with the attendance requirements in Board meetings, the Company, through the Corporate Secretary, shall submit to the Commission on or before January 30 of each year a sworn certification about the directors' record of attendance in Board meetings in the previous calendar year.

#### **I. The Compliance Officer**

To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the rank of at least Vice President or its equivalent and who shall not be a member of the Board of Directors. He shall have direct reporting responsibilities to the Chairman of the Board.

The Compliance Officer may designate an Assistant Compliance Officer who shall

represent the Compliance Officer in his absence and/or assist him in performing his duties.

The Compliance Officer shall have the following duties:

- 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. Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the Board and recommend the adoption of measures to prevent a repetition of the violation ;
- c. Appear before the Commission upon summon on matters related to compliance with the provisions and requirements of this Manual that need to be clarified by the same;
- d. Determine violation/s of the Manual and recommend appropriate penalty/ies for violation thereof for further review and approval of the Board;
- e. Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- f. Ensures the integrity and accuracy of all documentary submissions to regulators;
- g. Ensures the attendance of board members and key officers to relevant trainings;
- h. Issue a certification every January 30<sup>th</sup> of the year on the extent of the Company's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- i. Identify, monitor and control compliance risks.

The appointment of the Compliance Officer, and any Assistant Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officers.

#### **J. External Auditor**

The External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Company. An External Auditor shall be selected and appointed by the stockholders upon the recommendation of the Audit Committee and whose suitability and effectiveness shall be subject to the Audit Committee's review on an annual basis.

The External Auditor shall be duly accredited by the Commission. He 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 reason/s for the resignation, dismissal or cessation from service and the date thereof of an External Auditor shall be reported in the Company's annual and current reports and disclosed through the Company's website. Said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The External Auditor of the Company shall not, at the same time, provide the services of an internal auditor to the Company. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the External Auditors, or pose a threat to his independence.

The Company's External Auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

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

#### **K. Internal Auditor**

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

The Internal Auditor shall report to the Audit Committee.

The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls.

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

The Audit Committee shall ensure that the internal auditors shall have free and full access to all of the Company's records, properties and personnel relevant to the internal audit activity and that the internal audit activity shall be free from interference in determining the scope of internal auditing examinations, performing work and communicating results, and shall provide avenue for the Audit Committee to review and approve the annual internal audit plan.

#### **L. Chief Audit Executive**

When the Board deems it necessary, it shall appoint a qualified Chief Audit Executive, who directly reports functionally to the Audit Committee and administratively to the Chief

Executive Officer, and who 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 should be assigned the responsibility for managing the fully outsourced internal audit activity.

The following are the responsibilities of the Chief Audit Executive, 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.

#### **Article 5**

#### **ADEQUATE AND TIMELY INFORMATION**

To enable the members of the Board to properly fulfil their duties and responsibilities, Management shall provide the members of the Board with complete, adequate and timely information about the matters to be taken in the meetings. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members of the Board shall be given independent access to Management and Corporate Secretary, as necessary. The members of the Board shall also have access to independent professional advice at the Company's expense.

#### **Article 6**

#### **ACCOUNTABILITY AND AUDIT**

The Board is primarily accountable to the stockholders. Thus, the Board and the Company shall

provide the stockholders 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 the Company's business, as well as reports to regulators that are required by law. It is also 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 and other stakeholders.

Additionally, Management shall formulate the rules and procedures on financial reporting and internal control under the supervision of the Audit Committee and following the guidelines of the Commission:

- a. The extent of Management's responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should clearly be explained;
- b. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company should be maintained for the benefit of all stockholders and other stakeholders;
- c. 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;
- d. The Company should consistently comply with the financial reporting requirements of the Commission; and
- e. The External Auditor shall be rotated every five (5) years, or the signing partner of the external auditing firm assigned to the Company shall be change with the same frequency. The Internal Auditor shall submit to the Audit Committee and Management an annual report on the Internal Audit'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 shall 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.

The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor 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 Company. 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 Company's annual and current reports. The report shall include a discussion of any disagreement between him and the Company on accounting principles or practices, financial disclosures or audit procedures which the former audit and the Company failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Company 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 7**

### **STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS**

#### **A. Right to vote on all matters that require their consent or approval**

Stockholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Company Code. Cumulative voting shall be used in the election of directors. A director shall not be removed without cause if it will deny minority stockholders representation in the Board of Directors.

Stockholders shall also have the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting.

Corollary to the abovementioned, a stockholder's right to be informed about the nomination process and voting procedures that would govern the Annual and Special Shareholders' Meeting shall be respected. Stockholders shall be encouraged to personally attend the annual stockholders meeting and any special meeting that may be called. The Board shall ensure the sending of the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting. If they cannot attend, they shall be apprised a head of time of their right to appoint a proxy, subject to the requirements of the Company's by-laws.

It shall be duty of the directors to promote stockholders rights, remove impediments to the exercise of stockholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of stockholders' 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 stock holders participating in meetings and/or voting in person or by proxy. Accurate and timely information shall be made available to stock holders to enable them to make a sound judgment on all matters brought to their consideration or approval.

#### **B. Power of Inspection**

A stockholder may inspect corporate books and records in accordance with the Corporation Code and only for a legitimate purpose and during reasonable office hours

and at no cost to the Company. The annual reports, including financial statements, to be provided by the Company to its stockholders shall, however, be for the account of the Company;

**C. Right to Information**

Upon request, stockholders shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The Board shall make 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 should be available on the company website within five business days from the end of the meeting.

**D. Right to Dividends**

Stockholders shall have the right to receive dividends subject to the discretion of the Board.

The Company 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 Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

**E. Appraisal Right**

The stockholders shall have the 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:

- a. 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.
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- c. In case of merger and consolidation.

**Article 8**  
**GOVERNANCE SELF-RATING SYSTEM**

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual.

The establishment of such evaluation system, including the features thereof, may be disclosed in the Company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Company.

**Article 9**  
**DISCLOSURE AND TRANSPARENCY**

All material information about the Company that could adversely affect its viability or the interest of its stockholders and other stakeholders shall be publicly and timely disclosed. Such information shall include, among others, earning results, acquisition or disposition of assets, balance sheet transactions, related party transactions and direct and indirect remuneration of members of the Board and Management, as required by law, rules and regulations. Moreover, the Board shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets. All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the Commission.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

**Article 10**  
**COMMUNICATION PROCESS**

This Manual shall be posted on the Company's website and shall also be available for inspection by any stockholder of the Company at reasonable hours on business days.

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance with the provisions herein.

The company shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

**Article 11**  
**TRAINING PROCESS**

A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute. Attendance to an annual corporate governance training shall also be required from the Corporate Secretary and the



Compliance Officer.

## **Article 12**

### **RESOLVING STOCKHOLDERS' DISPUTES**

It shall be the policy of the Company to resolve disputes or differences with stockholders, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration.

In doing so, the Company complies with, abides and is guided by the policy set forth in Republic Act No. 9285, or the Alternative Dispute Resolution Act of 2004 and shall explore mutually acceptable alternative means or procedures in resolving disputes provided by law prior to resorting to court action, to the extent that such is feasible and will not prejudice the right of the Company.

Stockholders who have matters for discussion or concerns directly resulting to the business of the Company may initially elevate such matters or concerns to: a) the Corporate Secretary; b) the Investor Relations Officer; c) Management; or d) the Board.

## **Article 13**

### **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 Company's directors, officers and staff in case of violation of any of the provisions of this Manual:

1. In case of first violation, the subject person shall be reprimanded.
2. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
3. For the 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 Directors of the Company 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 to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

## APPROVAL

The foregoing Manual on Corporate Governance is hereby approved for implementation by the Board of Directors of the Company on \_\_\_\_\_ in Quezon City.



**ROGELIO M. GUADALQUIVER**

Chairman



**CALVIN F. CHUA**

Director and Chief Financial Adviser



**BAMBI E. DONATO**

Independent Director




**SHIRLEY O. TAN**

Independent Director



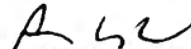
**LESTER C. YU**

Director, President and Chief Executive Officer



**IRENE O. CHUA**

Director, Chief Financial Officer and Treasurer



**DENNIS T. BENG HUI**

Independent Director



**RUSHELL A. SALVADOR**

Vice President - Compliance Officer

## **FRUITAS HOLDINGS INC. EXECUTIVE COMMITTEE CHARTER**

This Charter establishes the purpose, composition, duties and responsibilities, authority, and structure and operations of the Executive Committee (the “Committee”) of FRUITAS HOLDINGS INC. (the “Company”).

### **1. PURPOSE**

The Executive Committee is tasked to help and assist the key officers of the Company in the management and direction of the affairs of the Company. It shall exercise the powers and authority of the Board of Directors (the “Board”) when the latter is not in session or when it is impractical to immediately hold a meeting of the Board, except such powers as may be specifically limited by the Board or by law.

### **2. COMPOSITION**

The Committee shall be composed of three (3) members, to be elected by the Board from among its members, at the annual organizational meeting of the Board, and shall serve as such for a term of one (1) year, or until the next annual organizational meeting, unless removed or replaced by the Board.

Any vacancy shall be filled by the vote of at least a majority of the remaining Board of Directors. The appointed member shall serve only for the unexpired term of his/her predecessor in office or until his successor shall have been duly elected and qualified.

The Corporate Secretary of the Company shall serve as the Secretary of the Committee during its meetings.

### **3. AUTHORITY, DUTIES AND RESPONSIBILITIES**

The Committee shall exercise the powers and perform the duties of the Board of Directors during the intervening period between the Board meetings. It shall act on such specific matters within the competence of the Board as may be delegated to it by the majority of the Board, or as provided in the By-Laws and applicable laws, rules and regulations, except with respect to:

- 3.1. Approval of any action for which shareholders’ approval is also required;
- 3.2. Filling of vacancies in the Board of Directors;



- 3.3. Amendment or repeal of the By-Laws, or the adoption of new By-Laws of the Company;
- 3.4. Amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;
- 3.5. Declaration and distribution of cash dividends to shareholders; and
- 3.6. Any matter that may be limited by law, or by the Board of Directors by the majority vote of its members.

#### **4. STRUCTURE AND OPERATIONS**

Special meetings of the Committee may be held from time to time, as required, or called by the Committee's Chairperson, at a time and place determined by them.

A majority of the Committee members shall constitute a quorum at any meeting. If a quorum is present, the Committee may take action through the vote of a majority of the members who are in attendance.

The Chairperson of the Committee shall preside in all meetings.

The Company's Corporate Secretary shall be the Secretary of the Committee, who, under the direction of the Committee Chairperson, shall prepare the notice of the meeting and agenda and provide the Committee members with appropriate briefing materials. The Corporate Secretary shall also record the full minutes of the meeting. It shall be the duty of each Committee member to review meeting materials, and if called for, ask necessary and relevant questions or clarifications and explanations.

As it deems necessary, the Committee may invite members of Management or other personnel to attend meetings and provide pertinent information or data on matters for discussion during the Committee meeting.

The Committee shall be provided with sufficient resources by the Company to discharge its duties.

#### **5. CHARTER AMENDMENTS**

The Committee shall regularly review and assess the adequacy of this Charter and propose any changes, as necessary, for Board approval.

**FRUITAS HOLDINGS INC.**  
**NOMINATION AND COMPENSATION COMMITTEE CHARTER**

The Board of Directors of FRUITAS HOLDINGS INC. (the "Corporation") has delegated to the Nomination and Compensation Committee (the "Committee") responsibility for optimizing the composition, competence and integrity of the Board and its Committees by searching for and recommending individuals for election to the Board; and oversight of the remuneration of Directors and Key Officers.

**1. PURPOSE**

The Nomination and Compensation Committee Charter ("Charter") was developed to guide the Committee in setting up a policy on executive remuneration and for fixing the compensation packages of Directors and Key Officers by ensuring that the compensation scheme is consistent with the Corporation's culture, strategy and control environment. The Charter also ensures that a transparent procedure for the nomination of Directors to the Board is established.

**2. COMPOSITION**

- a. The members of the Committee shall be appointed by the Board of Directors from among the members of the Board.
- b. The Committee shall be composed of at least three (3) members, one (1) of whom shall be an Independent Director and one non-voting member in the person of the Vice President for Corporate Human Resources of the Corporation.
- c. The Chairman of the Committee shall be appointed by the members from amongst themselves.
- d. If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall appoint such number of new members as may be required to make up the minimum number of three (3) members.
- e. The power to remove any member of the Committee shall rest exclusively with the Board of Directors.

**3. AUTHORITY, DUTIES AND RESPONSIBILITIES**

The Committee shall have the authority to require any member of the Board, Management or any Key Executive of any subsidiary of the Corporation to attend its meetings for the proper discharge of its duties and responsibilities.

The Committee shall have the authority to require any member of the Board, Management or any Key Executive of any subsidiary of the Corporation to submit reports with regard to its evaluation of the Corporation's compensation scheme.

The functions of the Nominations and Compensation Committee shall be as follows:

- a. Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and/or disqualifications as described in this Manual, the Company's By-Laws, and applicable laws;
- b. Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require the Board's approval;
- c. Provide assessment on the Board's effectiveness in directing the process of electing and replacing directors
- d. Formulate procedures to encourage shareholders' participation by including procedures on how the Board accepts nominations from minority shareholders.
- e. Recommend to the Board any changes or addition to the roles, duties and responsibilities or the Chief Executive Officer, by integrating the dynamic requirements of the business as a going-concern and future expansionary prospects within the realm of good corporate governance at all times;
- f. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages or corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment;
- g. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully; and
- h. Carry out such other duties as may be delegated to it by the Board of Directors from time to time.

#### **4. STRUCTURE AND OPERATIONS**

Special meetings of the Committee may be held from time to time, as required, or called by the Committee's Chairperson, at a time and place determined by them.

A majority of the Committee members shall constitute a quorum at any meeting. If a quorum is present, the Committee may take action through the vote of a majority of the members who are in attendance.

The Chairperson of the Committee shall preside in all meetings.

The Company's Corporate Secretary shall be the Secretary of the Committee, who, under the direction of the Committee Chairperson, shall prepare the notice of the meeting and agenda and provide the Committee members with appropriate briefing materials. The Corporate Secretary shall also record the full minutes of the meeting. It shall be the duty of each Committee member to review meeting materials, and if called for, ask necessary and relevant questions or clarifications and explanations.



As it deems necessary, the Committee may invite members of Management or other personnel to attend meetings and provide pertinent information or data on matters for discussion during the Committee meeting.

The Committee shall be provided with sufficient resources by the Company to discharge its duties

The members may participate in a meeting via telephone conference or via such other similar communication equipment provided all persons participating in the meeting can hear each other, without a member being in the physical presence of another member or members. Participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

## **5. COMMITTEE PROCEDURE:**

### **NOMINATION OF DIRECTORS**

- a. Shortlisting of candidates for Directors shall be conducted by the Committee in a manner and upon such procedure as will enable the Corporation to comply with its reportorial obligations to the SEC and other government agencies.
- b. All nominations for Directors must have the following information:
  - Name;
  - Age;
  - Brief description of the nominee's business experience; and
  - Other directorship held by the nominee in other publicly-listed companies.
- c. All nominations for Directors shall be pre-screened and evaluated by the Committee in accordance with the Corporation Code of the Philippines, the Corporation's Articles of Incorporation and By-Laws and the Manual of Corporate Governance.
- d. The Committee, after deliberation, shall prepare a Final List of Candidates which shall contain all the information about all the nominees for Independent Directors. The name of the person or group of persons who recommended the nomination of the Independent Director shall be identified in such report including any relationship with the nominee.
- e. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Director(s). No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor of the Annual Stockholders' Meeting.

### **Terms of Independent Directors**

The Committee shall be mindful that Independent Directors shall serve for

a maximum cumulative term of nine (9) years reckoned from 2012 upon the expiration of which, said Independent Director shall be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a Non-Independent Director.

In cases where the Committee shall endorse the nomination of an Independent Director who has served for nine (9) years, it shall provide meritorious justification/s for the same and seek shareholders' approval during the Annual Stockholders' Meeting

## **6. CHARTER AMENDMENTS**

Any member of the Committee may initiate amendments to the Charter when the need arises due to changes in the relevant rules or when there are changes in the Corporation's structure, organization and/or operations which affect the matters set out in the Charter.

Any amendment to the Charter shall be submitted to the Committee for consideration and presented to the Board for approval.

## **FRUITAS HOLDINGS INC. AUDIT COMMITTEE CHARTER**

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

### **1. PURPOSE**

The Board of Directors (the "Board") and Management, officers and staff of **FRUITAS HOLDINGS INC.** ("Corporation") hereby commit themselves to the principles and best practices contained in this Charter, and acknowledge that the same shall guide the attainment of their corporate goals.

### **2. COMPOSITION**

The Audit Committee shall consist of at least four (4) voting members who are members of the Company's Board, at least three of which are non-executive directors, including the independent directors. Preferably, all of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, or related financial management expertise or experience.

The Chairman of this Committee should be an independent director. The chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

### **3. AUTHORITY, DUTIES AND RESPONSIBILITIES**

The Audit Committee shall have the following functions:

#### **Oversight 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. Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- c. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks, including receipt or information on risk exposures and risk management activities;
- d. Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

e. Perform oversight functions over the Internal and External Auditors to ensure that Internal and External Auditors act independently of each other, and that both are given access to all records, properties and personnel to enable them to perform their respective functions;

### **Internal Audit**

f. Review the internal audit plan, including audit scope, resources and budget necessary to implement it, to ensure its conformity with the Company's objectives;

g. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;

### **External Audit**

h. Review the disposition of the recommendations in the External Auditor's management letter;

i. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit;

j. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

k. Review the reports submitted by Internal and External Auditors;

l. Review the quarterly and annual financial statements before their submission to the Board with particular focus on the following matters:

- i. Any change/s in accounting policies and practices;
- ii. Major judgmental areas;
- iii. Significant adjustments resulting from the audit;
- iv. Going-concern assumptions;

### **Compliance**

v. Compliance with accounting standards; and

vi. Compliance with tax, legal and regulatory requirements;

m. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

n. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;

o. Evaluate, determine, and disclose the Non-Audit Work, if any, of External Auditor,



and review periodically the non-audit fees paid to External Auditor. The Audit Committee shall disallow any Non-Audit Work that will conflict with the primary duties of the External Auditor or may pose a threat to the External Auditor's independence;

p. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. 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; and

### **Risk Management/Related Party Risk**

r. Oversee the implementation of risk management and related party strategies and policies, including but not limited to the following:

s. Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions ("RPTs") are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured;

t. Evaluate all material RPTs to ensure that these are not undertaken on more favourable economic terms (e.g. price, commission, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated 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;

u. Ensure 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 interests or potential conflicts of interest;

v. Report 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;

w. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

x. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures

## **4. CHARTER AMENDMENT**

The Audit Committee shall review and assess the adequacy of this charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

**FRUITAS HOLDINGS INC.**  
**CORPORATE GOVERNANCE COMMITTEE CHARTER**

**1. PURPOSE**

The Board establishes a Corporate Governance Committee that should be tasked to assist the Board in the performance of its corporate governance responsibilities. It shall be composed of at least three (3) members, all of whom should be independent directors, including the Chairman.

**2. COMPOSITION**

The Committee shall consist of at least three (3) voting members who are members of the Board of Directors (all of which shall be Independent Directors), at the annual organizational meeting of the Board, and shall serve as such for a term of one (1) year, or until the next annual organizational meeting, unless removed or replaced by the Board.

Any vacancy shall be filled by the vote of at least a majority of the remaining Board of Directors. The appointed member shall serve only for the unexpired term of his/her predecessor in office or until his successor shall have been duly elected and qualified.

The Corporate Secretary of the Company shall serve as the Secretary of the Committee during its meetings.

**3. AUTHORITY, DUTIES AND RESPONSIBILITIES**

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

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

#### **4. STRUCTURE AND OPERATIONS**

Special meetings of the Committee may be held from time to time, as required, or called by the Committee's Chairperson, at a time and place determined by them.

A majority of the Committee members shall constitute a quorum at any meeting. If a quorum is present, the Committee may take action through the vote of a majority of the members who are in attendance.

The Chairperson of the Committee shall preside in all meetings.

The Company's Corporate Secretary shall be the Secretary of the Committee, who, under the direction of the Committee Chairperson, shall prepare the notice of the meeting and agenda and provide the Committee members with appropriate briefing materials. The Corporate Secretary shall also record the full minutes of the meeting. It shall be the duty of each Committee member to review meeting materials, and if called for, ask necessary and relevant questions or clarifications and explanations.

As it deems necessary, the Committee may invite members of Management or other personnel to attend meetings and provide pertinent information or data on matters for discussion during the Committee meeting.

The Committee shall be provided with sufficient resources by the Company to discharge its duties.

## **5. CHARTER AMENDMENTS**

The Committee shall regularly review and assess the adequacy of this Charter and propose any changes, as necessary, for Board approval.