



REVISED MANUAL OF CORPORATE GOVERNANCE 2020

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The Board of Directors, Management, Officers, employees, and shareholders of **MACAY HOLDINGS, INC.** (the "Company") hereby commit themselves to the principles and best practices contained in this Manual as a guide to the attainment of its corporate goals.

1. OBJECTIVE

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

The Board of Directors, Management, Officers, employees, and shareholders of **MACAY HOLDINGS, INC.** believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create and sustain awareness of this policy within the organization as soon as possible.

2. DEFINITION OF TERMS

- a. **Board of Directors** – refers to the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business, and controls its properties.
- b. **Corporate Governance** – refers to the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders and other stakeholders.

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

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

- c. **Enterprise Risk Management (ERM)** – refers to 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.¹
- d. **Executive Director** – refers to a director who has executive responsibility of day-to-day operations of a part or the whole of the organization
- e. **Independence** – refers to that environment which allows the person to carry out his/her work freely and objectively.
- f. **Independent Director** – refers to a person who, apart from his fees and shareholdings, 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.

¹ Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework)
Revised as of 30 September 2020

A lead independent director may be appointed if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

- g. **Internal Control** – refers to 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.
- h. **Internal Audit** – refers to an independent and objective assurance activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control, and governance processes.
- i. **Management** – refers to a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Company.
- j. **Non-audit Work** - refers to 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 services that may compromise the independence and objectivity of the external audit
- k. **Non-executive Director** – refers to a director who has no executive responsibility and does not perform any work related to the operations of the Company.
- l. **Objectivity** – refers to unbiased mental attitude that requires the person to carry out his/her work in such a manner that he/she has an honest belief in his/her work product and that no significant quality compromises are made. Objectivity requires the person not to subordinate his/her judgment to that of others.
- m. **Public Company** – refers to any corporation with a class of equity securities listed in an Exchange or with assets in excess of Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more stockholders each holding at least one hundred (100) shares of a class of its securities.

- n. **Related Party** – refers to 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.
- o. **Related Party Transaction** – refers to a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It 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.
- p. **Significant Influence** - the power to participate in the financial and operating policy decisions of the company but has not control or joint control of those policies.
- q. **Stakeholder** – refers to 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.
- r. **Standard for the Professional Practice of Internal Auditing (SPPIA)** – refers to the criteria by which operations of an internal auditing department are evaluated and measured. They are intended to represent the practice of internal auditing as it should be, provide a framework for performing and promoting a broad range of value-added internal audit activities and foster improved organizational processes and operation.

3. CORPORATE COMPLIANCE SYSTEM

This consists of the organization, officers, functions, responsibilities, and procedures established by the Company that would ensure compliance with this Manual.

3.1. The Board of Directors

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

3.1.1. Composition of the Board

The Board shall be composed of thirteen (13) directors, with at least three (3) independent directors or at least 20% of the Board size, whichever is the lesser.

The Board should have a mix of executive and non-executive members, including independent directors with different skills, competence and knowledge to avoid groupthink and ensure that optimal decision-making is achieved. As much as practicable, the roles of the Chairman of the Board and President/Chief Executive Officer should be separate from each other to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. Likewise, to the extent practicable, the composition of the Board should also be diverse in terms of age, gender, ethnicity, and culture.

3.1.2. General Responsibility of the Board

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities in accordance with the Code of Conduct and Discipline.

It is 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 its corporate objectives and the best interests of its stockholders and other stakeholders.

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

The Board shall encourage diversity in its composition, such as gender, age, ethnicity, culture, skills, competence and knowledge

3.1.3. Specific Duties and Functions of the Board

To ensure a high standard of best practice for the Company, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest, and highly motivated management officers. Adopt an effective succession planning program for Management.
- b) Provide sound strategic policies and guidelines to the Company on major investments and capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
- c) Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.

- d) Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company. If feasible, the CEO or chief financial officer shall exercise oversight responsibility over this program.
- e) Identify the Company's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- f) Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness.
- g) Ensure that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks.
- h) Identify key 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.
- i) Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board. The Board should oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures. Likewise, it should ensure that all material related party transactions are not undertaken on more favorable economic terms.
- j) Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- k) Establish and maintain 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.
- k) Meet at such times or frequency as may be needed but no less than four (4) times during one calendar year. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.

- l) Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
- m) Appoint a Compliance Officer with the rank of at least vice-president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.
- n) Conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.
- o) Establish and supervise implementation of 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 whistle blowing concerns.
- p) Promote a mutually beneficial relationship between the business and society which allows the company to grow its business, while contributing to the advancement of the society where it operates.
- q) Perform such other responsibilities as may be required under relevant rules and regulations.

3.1.4. Specific Duties and Responsibilities of a Director

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

A director should observe the following norms of conduct:

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

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

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

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

A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware and knowledgeable of the Company's operations to enable him to meaningfully contribute to the Board's work. For this reason, a non-executive director may concurrently serve as a director to a maximum of five publicly listed companies.

Attendance in board meetings is crucial to the effectiveness of the Board and establishing a quorum at meetings. He should attend and actively participate in all Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation. He should be physically present in at least 50% of the Board meetings. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his/her incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

- (c) Act judiciously.

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

The Board shall have access to complete, adequate, and timely information from Management about matters to be taken up in their meetings. Reliance on information volunteered by Management may not be sufficient in all circumstances and further inquiries may have to be made by members of the Board to enable them to properly perform their duties and responsibilities. For this purpose, members shall be given independent access to Management and the Corporate Secretary on any issue which requires clarification.

- (d) Exercise independent judgment.

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

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 Company. The meetings should be chaired by the lead independent director.

- (e) A director shall have working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and by-laws, the rules and regulations of the Commission, and where applicable, the requirements of relevant regulatory agencies.

A director should keep abreast with industry developments and business trends in order to promote the Company's competitiveness.

- (f) Observe confidentiality.

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

- (g) The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.

- (h) A director should notify the Board where he is an incumbent director before accepting a directorship in another company.

- (i) A director should disclose/report to the Company any dealings in the company's shares by the said directors and officers within five (5) business days.

3.1.5. Board Chairperson

The Board should elect an acting leader among the members who shall preside at the meetings of the Board and the stockholders and shall exercise such powers and perform such duties as mandated under the Company's By-laws or as may otherwise be assigned by the Board or the stockholders. He shall:

- a. Ensure that the meetings of the Board are held in accordance with the Company's By-laws or as he may deem necessary.
- b. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Chief Executive Officer, Management, and the directors.
- c. Maintain qualitative and timely lines of communication and information between the Board and Management.
- d. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory

- environments, key governance concerns, and contentious issues that will significantly affect operations;
- e. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
 - f. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
 - g. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
 - h. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
 - i. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

3.1.6. Independent Director

The Board must be able to exercise objective judgment in order to fulfil its duties and functions. Such independence and objectivity with respect to Management requires that there is a sufficient number of independent directors in the Board. There should be three (3) Independent Directors or at least 20% of the Board size, whichever is the lesser, elected to the Board who shall serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

Independent Directors should always attend Board Meetings. The Board may, to promote transparency, require the presence of at least one Independent Director in all its meetings.

An Independent Director shall have the qualifications and none of the disqualifications as set forth in the Company's by-laws, and the Securities Regulation Code, its Implementing Rules and Regulations, and relevant issuances of the Securities and Exchange Commission (SEC). To wit, an independent director refers to a person who, ideally:

- a. Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;

- b. Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
- c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

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

3.2. **Board Committees**

3.2.1. **Nomination Committee**

3.2.1.1. **Composition**

The Board shall create a Nomination Committee which shall have at least three (3) members, at least one of whom should be an independent director.

This Manual shall serve as the written charter of the Nomination Committee.

3.2.1.2. **Functions**

The following shall be the duties and responsibilities of the Nomination Committee:

- a) Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval and make the appropriate recommendation therefore to the Board, for its approval;
- b) Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;
- c) Pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with the qualifications and disqualifications provided for hereunder.

Qualifications of a Director

A director must possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind, good reputation, diligence, and the ability to promote a smooth interaction between board members.

- i. He must be a holder of at least one (1) share of stock of the Company;
- ii. He must be at least a college graduate or possess an equivalent academic degree or have at least five (5) years experience in business to substitute for such formal education;
- iii. He must be at least twenty-five (25) years old at the time of his election or appointment;
- iv. He shall have been proven to possess integrity and probity; and
- v. He shall be assiduous and diligent.

Disqualifications of a Director

a) Persons Permanently Disqualified

- i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of the person's conduct as an underwriter, broker, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank quasi-bank, trust company, investment house or as an affiliated person of any of them;
- ii. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or any regulatory body, or under any rule or regulation issued by the Commission, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- iii. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- iv. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission, or any of its rule, regulation or order;
- v. Any person judicially declared to be insolvent;
- vi. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- vii. 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.
- viii. Possession of disqualifications under the By-Laws.
- ix. Other grounds as the SEC may provide.

Effect of Disqualification or Non-Possession of Qualification by a Director

Directors/Officers elected or appointed without possessing the qualifications or possessing any of the disqualifications as enumerated herein or in the By-laws of the Corporation shall vacate their respective positions immediately.

b) Persons Temporarily Disqualified

- i. Refusal to comply with the disclosure requirements of the SRC and its IRR. This disqualification shall be effective as long as the refusal persists.
- ii. Absence in more than fifty percent (50%) of all regular and special meetings of the Board of directors during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.
- iii. Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009, or the Revised Code of Corporate Governance (the "Code") or any amendment or attachment thereof. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.
- iv. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- v. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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

The applicable qualifications/disqualifications for directors shall likewise apply to officers.

- d) In consultation with the Board, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

- e) Consider the following guidelines in the determination of the number of directorships for the Board:

The nature of the business of the Corporation of which he is a director;

Age of the director;

Number of directorships/active memberships and officerships in other corporations or organizations; and

Possible conflict of interest.

The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

3.2.2. Compensation and Remuneration Committee

3.2.2.1. Composition

The Compensation and Remuneration Committee shall be composed of at least three (3) members from the Board of Directors, at least one of whom shall be an independent director.

This Manual shall serve as the written charter for the Compensation and Remuneration Committee.

3.2.2.2. Functions

The duties and responsibilities of the Compensation and Remuneration Committee are as follows:

- a) 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 Corporation's culture, strategy and control environment. Provided that, no director should participate in discussions or deliberations involving his own remuneration.
- b) Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully. The level of remuneration must be commensurate to the responsibilities of the role.
- c) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- d) Disallow any director to decide his or her own remuneration.
- e) Provide in the Corporation's annual reports, information, and proxy statements a clear, concise, and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- f) Develop or adopt policies to strengthen provisions on conflict of interest, salaries and benefits, promotion and career advancement directives and compliance with statutory requirements and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- g) Review and assess, at least annually, the adequacy of its charter and recommend changes for the approval of the Board.

3.2.3. Audit Committee

3.2.3.1. Composition

The Audit Committee shall be composed of members of the Board of Directors, at least two (2) of whom shall be independent directors, including the Committee Chairman, preferably with Accounting, Auditing, or related financial management.

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

The charter of the Audit Committee is attached as Annex "A" of this Manual.

3.2.3.2. **Functions**

The Audit Committee shall have the following duties and responsibilities:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations.
- b) Provide oversight over the Management's activities in managing investments, credit, market, liquidity, operational, legal and other risks of the Corporation. This function includes regular receipt from Management of information on risk exposures and risk management activities.

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

- c) Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include audit scope, resources, and budget necessary to implement it.
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- f) Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including

- financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate measures and corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.
 - i) Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on:
 - Any changes in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumption
 - Compliance with accounting standards
 - Compliance with tax, legal and other regulatory requirements
 - j) Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
 - k) Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor, if any, both in relation to their significant to the total annual income of the auditor and the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the auditor's duties or may pose a threat to independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.
 - l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall report to the audit committee functionally and to the President/Chief Executive Officer administratively. The Committee shall ensure that the internal auditor/s shall have free and full access to all the Corporation's records, properties and personnel relevant to the Internal Audit activity and that the Internal Audit activity should be free from interference in determining
 - the scope of internal auditing examinations, performing work, and communicating results.
 - m) Have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by Management and full discretion to invite directors or executive officers to attend its meetings and adequate resources to enable it to effectively discharge its functions.

- n) Review and assess the adequacy of the Committee Charter periodically, requesting Board approval for proposed changes.
- o) Address all issues and concerns from the external auditor expeditiously and effectively to avoid the possibility of their having to render a qualified or adverse opinion, including substantive and significant disclaimers.
- p) Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.
- q) Ensure that the external audit firm is selected on the basis of a fair and transparent tender process. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures.
- r) Conduct regular meetings and dialogues with the external audit team without anyone from management present.
- s) Ensure that, should the external auditor not be rotated, the lead audit partner is rotated every five years.

3.2.4. Corporate Governance Committee

3.2.4.1. Composition

The Corporate Governance Committee shall be composed of at least three (3) members, two (2) of whom shall be independent directors.

This Manual shall serve as its charter.

3.2.4.2. Functions

The Committee shall have the following duties and responsibilities:

- (a) Be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines.
- (b) Oversee the periodic performance evaluation of the Board and its committees and executive management.

- (c) Conduct a periodic self-evaluation of its performance.
- (d) Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation).
- (e) Make continuing recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers and their remuneration commensurate with corporate and individual performance.
- (f) Decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria to be approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.
- (g) Conduct an annual review of this Manual and the governance and any related scorecards.

3.2.5. Term of Office for Committee Members

The members of the Corporation's Committees shall serve at the pleasure of the Board and for such term or terms as the Board may determine, or until their earlier resignation, death, or removal by the Board. Termination or expiration of members' terms of office may be staggered to allow the retention of seasoned members and to ensure each Committee's uninterrupted workflow.

3.2.6. Conduct of Committee Meetings

Each Committee shall meet as often as the circumstances may require. During each meeting, each Committee may require the attendance of relevant officer/s to address any query from its members or to present specified reports.

3.2.7. Quorum of Committee

The quorum shall be at least 51% of the regular members, one of which should be the Committee Chairperson of the Committee or, in his absence, the designated vice-chairman who shall chair the meeting. A majority vote among those present shall be required to pass or defeat any resolution at the meeting, provided such majority vote shall always include the vote of the Committee Chairperson or, in his absence, the Committee Vice Chairperson.

3.2.8. Approvals

Approvals by any Committee may be made at or during its meetings or through circulation to all members of the Committee.

3.3. Management

Management shall formulate rules and procedures to assist the Board or any of its Committees in the discharge of their functions and responsibilities and ensure compliance with applicable laws, rules, and regulations.

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

- (a) The extent of responsibility in the preparation of the financial statements, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- (b) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders should be maintained.
- (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 control that cover the Corporation's governance, operations and information systems, including 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 Corporation should consistently comply with financial reporting requirements of the Commission.
- (e) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation should be changed with the same frequency.

3.3.1. President / Chief Executive Officer

The President, who shall be a director, shall be the Chief Executive Officer who shall handle the administration and direction of the Corporation. He shall exercise the following functions:

- a) Initiate and develop corporate strategies and policies, and formulate business plans for the approval of the Board of Directors.
- b) Communicate and implement the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;

- c) Manage the corporation's resources prudently and ensures a proper balance of the same; Identify, evaluate, and recommend investment opportunities for the Corporation, for the approval of the Board.
- d) Provide the necessary leadership for Management in planning, developing, and implementing business strategies, plans, and budgets as approved by the Board in keeping with the Corporation's mission, vision, and corporate objectives.
- e) Builds the corporate culture and motivates the employees of the corporation;
- f) Acquire and maintain a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- g) Have general supervision and management of the business affairs and property of the Corporation.
- h) Direct, evaluate and guide the work of the key officers of the corporation
- i) Ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control.
- j) Oversee the preparation of the budgets and the financial statements of the Corporation; sign/execute such reports of the Corporation as may be required by regulatory bodies.
- k) Execute on behalf of the Corporation all contracts, agreements, and other instruments affecting the interests of the Corporation that require the approval of the Board of Directors, unless otherwise directed by the Board of Directors.
- l) Make and present the reports to the Board of Directors and Stockholders.
- m) Provides the Board with timely information and interfaces between the Board and the employees;
- n) Serve as the link between internal operations and external stakeholders; Represent the Corporation at all functions and proceedings.
- o) Perform such other duties incidental to his office or are entrusted to him by the Board of Directors.

3.3.2. Treasurer

The Treasurer of the Corporation shall be its chief fiscal officer and the custodian of its funds, securities, and properties. He shall perform his functions as mandated under the Corporation's By-laws and other

Corporation documents, manuals, or charters and exercise such authority and perform such other duties and responsibilities as may be assigned to the position.

3.3.3. Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. The Corporate Secretary should:

- (a) Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- (b) Be responsible for the safekeeping and preservation of the integrity of the minutes of the Board and its committees, as well as other official records of the Corporation;
- (c) Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Board Chairman on all relevant issues as they arise;
- (d) Be loyal to the mission, vision, and objectives of the Corporation.
- (e) Advise on the establishment of board committees and their terms of reference;
- (f) Work fairly and objectively with the Board, Management, stockholders and stakeholders;
- (g) Perform required administrative functions;
- (h) If he is not at the same time the Corporation's general counsel, be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities.
- (i) Have a working knowledge of the operations of the Corporation.
- (j) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements;
- (k) Inform the members of the Board, in accordance with the Corporation's By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- (l) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family, and serious accidents prevent him from doing so;

- (m) Ensure that all Board procedures, rules, and regulations are strictly followed by the members;

3.3.4. Compliance Officer

To ensure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall hold the position of a Vice President or its equivalent. The Compliance Officer is primarily liable to the corporation and its shareholders, and not to the Board Chairman or President of the company. His duties and responsibilities are as follows:

- (a) Ensure proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- (b) Monitor and ensure compliance by the Corporation with the provisions and requirements of the Code, the rules and regulations of regulatory agencies, and this Manual and, if any violations are found, report the matter to the Board or, as applicable, the Corporate Governance Committee, and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.
- (c) Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- (d) Identifies possible areas of compliance issues and works towards the resolution of the same;
- (e) Report the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- (f) Appear before the Securities and Exchange Commission when summoned in relation to compliance with the Code.
- (g) Accomplish and submit the Annual Corporate Governance Report or any similar report as required by regulators.
- (h) Ensure the integrity and accuracy of all documentary submissions to regulators;
- (i) Ensures the attendance of board members and key officers to relevant trainings; and
- (j) Submit annually, as required by the Commission, a report of the director's record of attendance in Board meetings.

The appointment of the Compliance Officer shall be reported to the SEC in accordance with existing regulations. All correspondence relative to his functions as such shall be addressed to the said Officer.

3.3.5. Internal Auditor

The Corporation shall have in place an independent internal audit function which shall be performed by an internal auditor or a group of internal auditors, or a service provider engaged to perform internal audit functions 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.

As a holding company, the Corporation's internal audit function may operate at the level of its operating subsidiary/ies.

The internal auditor shall have a direct reporting line to the Audit Committee.

The appointment or removal of the head of the internal audit office shall be subject to the approval of the Audit Committee.

The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation'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 internal audit function may be outsourced to an external 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 functions of the internal auditor, among others:

- (a) Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- (b) Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;

- (c) Performs consulting and advisory services related to governance and control as appropriate for the organization;
- (d) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- (e) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- (f) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- (g) Evaluates specific operations at the request of the Board or Management, as appropriate; and
- (h) Monitors and evaluates governance processes.

3.3.6. External Auditor

- a. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- b. The external auditor shall undertake an independent audit of the Corporation and shall provide an objective assurance on the manner by which financial statements shall be prepared and presented to 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 Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

- d. The external auditor of the Corporation shall not at the same time provide the services of an internal auditor. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- e. The company's external auditor shall be rotated or the signing partner shall be changed every five (5) years or earlier.
- f. 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 report.

- g. The external auditor shall be subject to rules and regulations as prescribed by the SEC.

4. COMMUNICATION PROCESS

- a. This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- b. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.
- c. An adequate number of printed copies of this Manual must be reproduced under the Supervision of the Human Resources Department, with a minimum of at least one (1) hard copy of the Manual per department.

5. TRAINING PROCESS

- a. If necessary, funds shall be allocated by the Treasurer or its equivalent officer for the purpose of conducting an orientation program or workshop on the Manual.
- b. A director shall, before assuming as such, be required to attend a seminar on corporate governance, which shall meet the minimum number of hours required by the Commission and which shall be conducted by a duly recognized private or government institution.
- c. On an annual basis, each director shall complete a training course relevant to his/her function as a Board or committee member of the company and compliant to the minimum number of hours required by the Commission.

6. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets. It is therefore essential that all material information about the Corporation which could adversely affect its viability or interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanism 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.

- i. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer.
- ii. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors, and changes to ownership.
- iii. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.
- iv. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
- v. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.
- vi. The Board 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.
- vii. The Company should make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.
- viii. The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days.

7. SHAREHOLDERS' BENEFIT

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

INVESTOR'S RIGHTS AND PROTECTION

7.1. Rights of Investors/Minority Interests

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

7.1.1. Voting Right

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

7.1.2. Power of Inspection

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

7.1.3. Right to Information

- a) The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings with the Corporation's shares, dealings with the Corporation, relationship among directors and key officers, and the aggregate compensation of directors and officers.
- b) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting; provided the items are for legitimate business purposes.
- c) The minority shareholders shall have access to any and all information relating to matters for which the Management is accountable, except for matters covered by confidentiality agreements.

7.1.4. Right to Dividends

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

7.1.5. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Sec. 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 or consolidation:

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

8. MONITORING AND ASSESSMENT

- a. Each Committee shall report regularly to the Board of Directors.
- b. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 9 of this Manual.
- c. The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- d. This Manual shall be subject to annual review and any change shall be approved by the Board and disclosed to the Commission, when so required.


-x-x-x- nothing follows -x-x-x-

Pursuant to the requirement of the Securities and Exchange Commission, this Corporate Governance Manual is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on SEP 30 2020.

Signatures



ALFREDO M. YAO
Chairman of the Board



MR. ROBERTO A. ATENDIDO
Compliance Officer



CHARTER OF THE AUDIT COMMITTEE

Macay Holdings, Inc. (the "Corporation")

Purpose and Objective

The Audit Committee (the "Committee") shall assist the Board of Directors (the "Board") in the performance of its oversight function over the Corporation's financial reporting process, systems of internal control, internal and external audit processes, compliance monitoring procedures, and risk management. It shall be primarily responsible in recommending the appointment, re-appointment, or removal of the internal and external auditor. The Committee shall assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and auditing and financial reporting practices.

The Committee will report its activities to the Board on a regular basis and make recommendations thereon as it may deem appropriate.

Membership

The Committee shall be composed of at least three (3) Board members, all of whom must be capable of exercising independent judgment. At least one member shall have an accounting and finance background or related financial management expertise or experience, and at least two (2) members shall be independent directors, which shall include the Chairman of the Committee.

With respect to Committee members, the basis for determining independence shall be the requirements imposed upon independent directors by the Securities Regulation Code and other applicable laws, rules, and regulations. The Committee members will not receive, directly or indirectly, through their affiliations or relatives up to the fourth degree of consanguinity, any consulting, advisory, or other compensatory fee from the Corporation or its subsidiaries other than a director's fees or fixed compensation as may be provided in the Corporation's By-laws. The Board of Directors shall review the composition of the Audit Committee and its independence annually.

Terms of Office

A member of the Audit Committee shall have a term of one year but may be extended upon such terms as may be approved by the Board of Directors.

Termination of the terms of office of the members may be staggered to allow the retention of seasoned members and to ensure continuity in the performance of the Committee's duties and responsibilities.

Meetings

The Committee shall meet regularly at least once every quarter. However, special meetings may be called by any member of the Committee or upon request of the internal or external auditors as the need arises subject to the required quorum.

The Committee may meet separately with the Chief Executive Officer and Treasurer or Chief Financial Officer of the Corporation at such times as are appropriate to review the financial affairs of the Corporation. The Audit Committee may also meet separately with the external auditors of the Corporation as it may deem necessary to review the external auditor's examination and management report and to otherwise fulfill its responsibilities under this Charter.

Minutes

The Audit Committee will maintain written minutes of its meetings. Said minutes, as approved by the Committee, shall be filed with the minutes of the meetings of the Board of Directors.

Quorum

The quorum shall be at least 51% of the regular members, one of which should be the Chairperson of the Committee or, in his absence, the designated vice-chairperson who shall chair the meeting. A majority vote among those present shall be required to pass or defeat any resolution at the meeting, provided such majority vote shall always include the vote of the Chairperson or, in his absence, the Vice Chairperson.

Duties and Responsibilities

The Committee shall:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations;
- b) Provide oversight over the Management's activities in managing investments, credit, market, liquidity, operational, legal and other risks of the Corporation. This function includes regular receipt from Management of information on risk exposures and risk management activities;
- c) Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include audit scope, resources, and budget necessary to implement it;
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate measures and corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.
- i) Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on:
 - Any changes in accounting policies and practices
 - Major judgmental areas Significant adjustments resulting from the audit
 - Going concern assumption
 - Compliance with accounting standards
 - Compliance with tax, legal and other regulatory requirements

- j) Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- k) Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor, if any, both in relation to their significant to the total annual income of the auditor and the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the auditor's duties or may pose a threat to independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.
- l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall report to the audit committee functionally and to the President/Chief Executive Officer administratively. The Committee shall ensure that the internal auditor/s shall have free and full access to all the Corporation's records, properties and personnel relevant to the Internal Audit activity and that the Internal Audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results.
- m) Have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by Management and full discretion to invite directors or executive officers to attend its meetings and adequate resources to enable it to effectively discharge its functions.
- n) Review and assess the adequacy of the Committee Charter periodically, requesting Board approval for proposed changes.
- o) Address all issues and concerns from the external auditor expeditiously and effectively to avoid the possibility of their having to render a qualified or adverse opinion, including substantive and significant disclaimers.
- p) Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.
- q) Ensure that the external audit firm is selected on the basis of a fair and transparent tender process.
- r) Conduct regular meetings and dialogues with the external audit team without anyone from Management present.
- s) Ensure that, should the external auditor not be rotated, the lead audit partner is rotated every five years.

Independent Advice

The Committee shall have the authority to obtain independent professional advice and assistance from external legal, accounting, and other advisors as may be deemed necessary by the Committee to carry out its duties, at the Corporation's expense.