

The cover of the PHINMA Corporate Governance Manual features a dark green background. In the top right corner, the PHINMA logo is displayed in white, with the tagline "Making Lives Better" underneath. The central focus is the title "CORPORATE GOVERNANCE MANUAL" in large, white, sans-serif capital letters, with "PHINMA CORPORATION" in a smaller font below it. The background is decorated with faint, stylized white silhouettes of people and a large heart shape on the left side.

CORPORATE GOVERNANCE MANUAL

PHINMA CORPORATION

PHINMA Corporation believes that good governance is an integral component of sound business management and exerts every effort necessary to ensure compliance within the organization.

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INTRODUCTION

We, the Board of Directors and Management, i.e. officers and staff, of PHINMA CORPORATION (the "Corporation") hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

Objective

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

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

Mission and Vision

The PHINMA Group's Mission is to help build our Nation through competitive and well-managed business enterprises that enable Filipinos to attain a better quality of life. With professional and effective management as our distinctive edge, we aim to give communities, not only in the Philippines but wherever else we might find the need, improved access to the essentials of a dignified life.

In the pursuit of our Mission, we look to our tradition, our experience, our reputation, and above all, our people, as the principal factors that will enable us to achieve our lofty goals.

The PHINMA Group will demonstrate that private business can mutually serve the needs of society and the aspirations of shareholders.

Core Values

Integrity, Love of country, Competence and Professionalism

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GLOSSARY

Board of Directors – the governing body elected by the shareholders that exercises the corporate powers of the Corporation, conducts all its business and controls its properties.

Corporate Disclosure – refers to the dissemination of material information to the public in accordance with the requirements of a regulatory authority

Corporate Governance – the system of stewardship and control to guide the organization in fulfilling its long-term economic, moral, legal and social obligations towards its stakeholders. It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors and management accountable for ensuring ethical behavior – reconciling long-term success and customer satisfaction with sustainable shareholder value – to the benefit of all stakeholders and society.

Enterprise Risk Management – a process, effected by the Board of Directors, management and employees, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the organization, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

Executive Director – a director who has executive responsibility for day-to-day operations of a part or the whole of the organization.

Independent Director – a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director in any corporation.

Internal Control – a process designed and effected by the Board of Directors, 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 – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the organization is exposed.

Insider Trading – is the trading of publicly-listed stock or other securities (such as bonds or stock options) by individuals (officers, directors and employees) with access to nonpublic company information.

Management – the body given the authority by the Board of Directors to implement the policies it has laid down for the conduct of the business of the corporation.

Non-audit Work – the other services offered by an external auditor that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, 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.

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Non-executive directors – directors who have no executive responsibility and do 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 (RPTs) – the transfer of resources, services or obligations between the Company 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 – 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.

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ARTICLE I: THE BOARD'S GOVERNANCE RESPONSIBILITIES

1. Establishing a Competent Board

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 Corporation and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives and fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities and shall act on a fully informed basis, in good faith, with due diligence and care.

1.1. Composition of the Board

The Board shall be headed by a competent and qualified Chairperson.

The Board shall be composed of at least five (5), but not more than fifteen (15) members and shall have at least three (3) independent directors, or such number that constitutes at least one third of the members of the Board, whichever is higher.

The Board members shall be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfil its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

Further, the board shall include 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.

1.2. Training Process

On-boarding/orientation of new or first-time Directors shall be done to ensure that new Board members are appropriately apprised of their duties and responsibilities, before beginning their directorships.

The orientation program shall cover SEC-mandated topics on corporate governance and an introduction to the company's business, Articles of Incorporation, and Code of Conduct.

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If necessary, funds shall be allocated by the Board, upon recommendation of the CFO or its equivalent officer for the purposes of conducting an orientation program or workshop to operationalize this Manual.

A director shall be required to attend a seminar on corporate governance conducted by a private or government institute duly accredited by the Securities and Exchange Commission, before assuming as such, or within a period of six (6) months from the date of his election. On an annual basis, all directors shall attend other relevant annual continuing training either provided by the Company or by a 3rd party and shall provide a copy of their certificate of attendance to the Company within a reasonable period of time.

The orientation program for first-time directors and relevant annual continuing training for all directors aim to promote effective board performance and continuing qualification of the directors in carrying-out their duties and responsibilities

1.3. Board Diversity

In designing the Board’s composition, diversity shall be considered from various aspects including but not limited to age, gender, ethnicity, cultural and educational background, skills, competence and knowledge. These variables shall be taken into account in the selection and nomination of candidates to the Board. The Board shall be elected based on merit.

Moreover, the Board shall recognize that both social diversity (e.g. gender, race/ethnicity, and age diversity) and professional diversity are both important for bringing diverse perspectives in order to arrive at thorough and sound decisions on matters that require the Board’s approval.

1.4. Corporate Secretary

The Board shall be assisted in its duties by a Corporate Secretary.

1.4.1. Qualifications

The Corporate Secretary is an officer of the Corporation who shall not be a member of the Board of Directors and must faithfully perform the duties of the office to the best of his ability. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity comes with his duties.

The Corporate Secretary shall be a resident and citizen of the Philippines. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills and should attend a training on corporate governance on an annual basis.

1.4.2. Duties and Responsibilities

- 1.4.2.1. Gather, analyze and safely keep the integrity of the minutes of the meetings of the Board and its committees as well as all other documents, records and information essential to the conduct of his duties and responsibilities to the Corporation.
- 1.4.2.2. 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;
- 1.4.2.3. Work fairly and objectively with the Board Management and stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders.
- 1.4.2.4. Keep abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advise the Board and the Chairman on all relevant issues as they arise.
- 1.4.2.5. Advise on the establishment of board committees and their terms of reference.
- 1.4.2.6. Inform members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, 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.
- 1.4.2.7. Inform the Board and recommend appropriate decisions when a director notifies him of a possible directorship in another company.
- 1.4.2.8. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so.
- 1.4.2.9. Perform required administrative functions.
- 1.4.2.10. Oversee the drafting of the by-laws and ensure that they conform to regulatory requirements.
- 1.4.2.11. Perform such other duties and responsibilities as may be provided by the SEC.

1.5. Compliance Officer

In order to ensure adherence to corporate principles and best practices, the Board shall be assisted in its duties by a Compliance Officer who shall have a rank of Vice President or an equivalent position with adequate stature and authority in the corporation.

1.5.1. Qualifications

The Compliance Officer shall not be a member of the Board of Directors, a separate individual from the Corporate Secretary and shall attend a training on corporate governance on an annual basis.

1.5.2. Duties and Responsibilities

- 1.5.2.1. Ensure proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- 1.5.2.2. Monitor, review, evaluate and ensure compliance by the Corporation, its officers and directors with the relevant laws, with the Code of Corporate Governance ("Code"), rules and regulations and all governance issuances of regulatory agencies;
- 1.5.2.3. Appear before the Securities and Exchange Commission upon summon on matters in relation to compliance with the Code;
- 1.5.2.4. Ensure the integrity and accuracy of all documentary submissions to regulators;
- 1.5.2.5. Determine violation/s of the Code and recommend to the Board the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- 1.5.2.6. Identify possible areas of compliance issues and work towards the resolution of the same;
- 1.5.2.7. Develop and establish, subject to approval of the Board of Directors, a monitoring and evaluation system to determine compliance with this Manual, which system shall provide for a procedure that fulfills the requirements of due process.
- 1.5.2.8. Ensure the attendance of board members and key officers to relevant trainings;
- 1.5.2.9. Provide copies of the Manual to all directors, division and department heads employees and related third parties.
- 1.5.2.10. Perform such other duties and responsibilities as may be provided by the SEC.

1.5.3. Disclosure on Appointment of Compliance Officer

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

2. Roles and Responsibilities of the Board of Directors**2.1. General Responsibility of the Board for Good Governance**

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

2.2. Specific Duties and Functions of the Board

To ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders, the Board shall:

- 2.2.1. Formalize a Board Charter that clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions.
- 2.2.2. Install a process of selection to ensure a mix of competent directors and officers as described in Article I, Section 1.1.
- 2.2.3. Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- 2.2.4. Provide sound strategic policies and guidelines to the corporation on major capital expenditures.
- 2.2.5. Establish programs that can sustain its 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.
- 2.2.6. Require that the Corporation comply with all relevant laws, regulations and codes of best business practices.
- 2.2.7. Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective communications program, which shall be under the supervision of the Chief Executive Officer.
- 2.2.8. Identify the corporation'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. The company recognizes and places an importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.
- 2.2.9. Oversee that an appropriate internal control system is in place, including setting up of a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall also approve the Internal Audit Charter.
- 2.2.10. Formulate policies and procedures that will ensure the integrity and transparency of material related party transactions and other unusual or infrequently occurring transactions whose policies should include appropriate review and approval of material or significant RPTs as to their fairness and transparency, size, structure, risk profile and complexity of operations.
- 2.2.11. Establish and maintain an alternative dispute resolution system for the amicable settlement of conflicts and differences among all stakeholders including the regulatory authorities.
- 2.2.12. Appoint a Compliance Officer who is a separate individual from the Corporate Secretary.
- 2.2.13. Oversee with due diligence that a sound Enterprise Risk Management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.
- 2.2.14. Establish a Risk Oversight Committee which shall be responsible for the oversight of the Enterprise Risk Management system to ensure its functionality and effectiveness.

- 2.2.15. Properly discharge Board functions by meeting regularly. Independent directors shall, as much as possible, attend all Board meetings. The Board may also require the presence of at least two (2) independent directors in its meetings to promote transparency.
- 2.2.16. Independent views during Board meetings shall be given due consideration and all meetings shall be duly minuted and recorded.
- 2.2.17. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and existing laws, rules and regulation.
- 2.2.18. Define the clear delineation of roles, duties, and responsibilities of the Chair and the Chief Executive Officer as necessary, 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. Proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives if the positions of Chair and CEO are unified.
- 2.2.19. Require Management to provide the Board with complete, adequate and timely information about the matters to be taken in their meetings to enable the Board to properly fulfill their duties and responsibilities. The board shall also have independent access to Management and the Corporate Secretary including access to independent professional advice at the corporation's expense in furtherance of their duties and responsibilities.
- 2.2.20. Make available to the company's stockholders, via multiple channels, a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- 2.2.21. Encourage the exercise of shareholders' voting rights by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information, whenever practicable, at least 21 days before the meeting.
- 2.2.22. Implement a policy on board diversity that considers age, ethnicity, culture, skills and competence to ensure that optimal decision-making is achieved.
- 2.2.23. 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.
- 2.2.24. Adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value that should consider a policy on the retirement of age for directors and key officers as part of management succession and to promote dynamism in the corporation. (*Refer to Article I, Section 2.5*)
- 2.2.25. Adopt a Code of Business Conduct and Ethics including a whistle-blowing program, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees.

- 2.2.26. Ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.
- 2.2.27. Align the remuneration of key officers and board members along with the long-term interests of the company and formulate and adopt a policy specifying the relationship between remuneration and performance.
- 2.2.28. 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).
- 2.2.29. 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.
- 2.3. Establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.
- 2.3.1. Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.
- 2.3.2. 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.
- 2.3.3. Ensure that there is a system in place that provides, at the minimum, criteria and processes to determine the performance of the Board, individual directors and committees.

2.3. Duties and Responsibilities of a Chairman

The Chairman of the Board shall have the following duties and responsibilities:

- 2.3.1. Make certain that the meeting agenda focuses on strategic matters, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- 2.3.2. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- 2.3.3. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- 2.3.4. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- 2.3.5. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- 2.3.6. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

2.4. Duties and Responsibilities of a Director

A Director shall have the following duties and responsibilities:

- 2.4.1. To exercise that degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in an honest belief that the action was taken in the best interest of the Corporation.
- 2.4.2. To attend and actively participate in all meetings of the Board, Committees, and Shareholders in person or through tele-/video conferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so;
- 2.4.3. To act judiciously;
- 2.4.4. To exercise independent judgment;
- 2.4.5. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.
- 2.4.6. To observe confidentiality;
- 2.4.7. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.
- 2.4.8. To conduct business transactions with the Corporation, if any, in a manner that is fair and ensure that personal interest does not bias Board decisions. A director with a material interest in any transaction affecting the corporation shall abstain from taking part in the deliberations for the same.
- 2.4.9. To refrain from dealing in shares of stock of the Corporation during the period within which a material nonpublic information is obtained and up to two (2) full trading days after the price sensitive information is disclosed and to notify the company of any dealings in the company's shares within three (3) days.
- 2.4.10. To notify the Corporate Secretary of the Board before accepting a directorship in another company.
- 2.4.11. Non-executive directors shall set 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.

2.5. Adopting an Effective Succession Planning

The Board shall ensure adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This shall include adopting a policy on the retirement age for directors and key officers as part of

management succession and to promote dynamism in the corporation. *(This is also one of the Duties of the Board as described in Article I, Sec. 2.2.24)*

The retirement and retention policy of the Board is linked to the review of the performance of the directors. The Nominations Committee, as part of its function on nomination and election, is responsible for recommending the succession plan candidates for membership to the Board.

The Nominations Committee shall be assisted by the Human Resources Department.

2.6. Policy on Remuneration of the Board and Key Officers

The Board shall align the remuneration of key officers and board members with the long-term interests of the company. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director shall participate in discussions or deliberations involving his own remuneration.

The Board, through its Compensation Committee shall oversee the implementation of 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.

The Compensation Committee recommends and endorses to the Board the fixed remuneration of the Chief Executive Officer (CEO) and other Senior Executives. The fixed remuneration of key management officers are approved by the CEO.

The directors are paid a bonus based on the net income for each calendar year. The compensation received by the officers who are not included in the Board of Directors of the company represents salaries and bonuses.

The directors receive allowances, per diem and bonus based on a percentage of the net income of the Company for each calendar year. The compensation received by Officers who are not members of the Board of Directors of the Company represents salaries, bonuses and other benefits.

2.7. Board Nomination

The Board shall have a transparent nominations process which shall include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director.

2.7.1. Nominations Process

The Nominations Committee shall oversee the policy on nominations and election process of the Company.

The Committee, pre-screens and shortlists all candidates nominated to become members of the board of directors in accordance with the qualifications and disqualifications criteria set forth in this Manual.

The Nominations Committee shall consider the following guidelines in the determination of the availability of a director to serve as such:

- the nature of the business of the corporations of which he is a director;
- age of the director;
- number of directorships/active memberships and officerships in other corporations or organizations;
- possible conflict of interest
- experience from other boards;
- experience as chief executive officer or chief operating officer;
- knowledge of finance;
- knowledge of accounting;
- knowledge of the industry of the Corporation;
- knowledge of the local and international market and strategic vision;
- contacts of value to the Corporation

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

The findings and recommendations of Nominations Committee shall be submitted to the Board for approval; provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

2.7.2. General Qualifications of a Director

A director of PHINMA Corporation shall have the following qualifications:

- He shall be the holder of at least one (1) share of stock of the Corporation;
- He shall be at least a college graduate and shall have practical understanding of the business of the corporation.
- He shall be at least twenty one (21) years of age;
- He shall possess integrity and probity; and
- He shall be diligent.
- He shall possess previous business experience.

Qualifications for Independent directors (IDs) are discussed in detail in Article I, Section 5.2 of this Manual.

2.7.3. Disqualifications

2.7.3.1 Permanent Disqualification

The following persons are disqualified from being a director of the Corporation:

- 2.7.3.1.1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- 2.7.3.2. 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, quasibank, 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.
- 2.7.3.3. Any person who is currently the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is 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;
- 2.7.3.4. 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;
- 2.7.3.5. Any person finally found by the SEC, BSP, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law, rule, regulation or order administered by the Commission

or Bangko Sentral ng Pilipinas, or who has filed a materially false or misleading application, report or registration statement required by the Commission or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;

2.7.3.6. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

2.7.3.7. Any person judicially declared insolvent;

2.7.3.8. Any person finally 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 listed in the foregoing paragraphs; and

2.7.3.9. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment; and

2.7.3.10. Other grounds as the relevant regulators may provide.

2.7.4 Temporary Disqualification

The following maybe grounds for temporary disqualification of incumbent Directors:

2.7.4.1. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

2.7.4.2. Absence or non-participation without justification 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 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;

2.7.4.3. Dismissal/termination for cause from directorship in any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;

2.7.4.4. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries, associates, affiliates or related companies exceeds 2% of its subscribed capital stock; the disqualification shall be lifted if the limit is later complied with;

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

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

2.8. Related Party Transactions Policy

The company has a policy on Related Party Transactions (RPT) that is found in the company's website.

The transactions and balances of accounts with related parties are disclosed in the company's Information Statement (SEC Form 20 – IS).

PHINMA adopts the materiality threshold set by the Securities and Exchange Commission which is ten percent (10%) or higher of the company's total assets based on the latest audited financial statement or the total consolidated assets, if parent company. The materiality threshold applies to individual related party transactions and to aggregate transactions within a twelve (12) month period with the same related party.

The company shall keep a Related Party Register clearly identifying the companies and persons that are considered as related parties. Management shall review and update on a quarterly basis the register to capture organizational and structural changes within the company and its related parties.

The members of the board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to Material RPTs as well as their direct and indirect financial interest in any transactions or matter that may affect or is affecting the company. Such disclosure shall be made at the board meeting where the Material RPT will be presented for approval and before the completion or execution of the Material RPT.

3. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute standing committees which shall directly report to the Board in accordance with the performance standards contained in their charters as duly approved by the Board.

Each Committee shall report regularly to the Board of Directors.

3.1. Executive Committee

The Board may create an Executive Committee composed of at least three (3) Directors. The Executive Committee may act, by majority vote of all its members, on such specific matters within the competence of the Board, as may be delegated to it in the bylaws or by majority vote of the Board.

The Committee shall advise the Board in matters concerning its interests and the management of its business and may exercise powers delegated to it in the By-Laws or by majority vote of the

Board. In carrying out its duties, the Committee may request the assistance of the officers of the Corporation.

3.1.1. Composition

The Committee shall be composed of at least three (3) Directors. In carrying out its duties, the Committee may request the assistance of the officers of the Corporation.

3.1.2. Duties and Responsibilities

The Executive Committee may exercise and shall have all the powers delegated by the Board. Any action of the Committee to be effective must be authorized by an affirmative vote of a majority of the members present and in any event shall require not less than two affirmative votes.

3.2. Corporate Governance Committee

The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities which include the implementation and periodic review of the corporate governance rules, policies and framework, annual board self-assessment and continuing training program for directors.

3.2.1. Composition

The Board shall create a Corporate Governance Committee which shall have three (3) members at the minimum, all of whom must be independent directors including the Chairman. In carrying out its duties, the Committee may request the assistance of the officers of the Corporation.

2.2.2. Duties and Responsibilities

- 3.2.2.1. Generally, ensure compliance with and proper observance by the Corporation of the corporate governance principles and practices.
- 3.2.2.2. Oversee 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.
- 3.2.2.3. Oversee the periodic performance evaluation of the Board and conducts an annual self-evaluation of its performance.
- 3.2.2.4. Ensure 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.
- 3.2.2.5. Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, and succession plan for the board members and senior officers.

3.2.2.6. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance.

3.2.2.7. Propose and plan relevant trainings for the members of the Board.

3.3. Audit and Related Party Transactions Committee

The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, internal and external audit process, and the Company's process for monitoring compliance with laws and regulations.

The Committee also performs an oversight function on the review and approval of related party transactions within its authority and endorse material RPTs to the board for approval.

3.3.1. Composition

The Committee shall be composed of at least three (3) appropriately qualified non – executive directors, majority of whom, including the Chairman, is independent. All the members of the Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The members of the Committee, including the Chair, shall be appointed by the Board on an annual basis. The Chairman of the Audit and RPT Committee shall not be the Chairman of the Board or of any other committee.

3.3.2. Duties and Responsibilities

3.3.2.1. Financial Statements

3.3.2.1.1. Check all financial reports against its compliance with both the internal financial management systems and pertinent accounting standards, including regulatory requirements.

3.3.2.1.2. Fair and balanced review of quarterly, half-year and annual financial statements.

3.3.2.1.3. Review the reasonableness of estimates, assumptions, and judgements made in connection with the preparation of the Company's financial statements.

3.3.2.1.4. Inquire about material errors and fraud, if any, and sufficiency risk controls, including actions or measures in case of finding error or fraud in financial reporting.

3.3.2.1.5. Review of unusual or complex transactions including all related party transactions.

3.3.2.1.6. Review and approve management representation letter before submission to external auditors.

3.3.2.1.7. Receive and review communications from legal counsel covering litigation, claims, contingencies or other signification issues that impact financial statements.

3.3.2.1.8. Assess correspondence between the Company and regulators regarding financial statement filings and disclosures.

3.3.2.2. Internal Controls

3.3.2.2.1. Obtain Management's assurance on the state of internal controls.

3.3.2.2.2. Review reports and deliberate findings of internal and external auditors on their evaluation of internal controls.

3.3.2.2.3. Monitor and evaluate the adequacy and effectiveness of the Company's control environment including IT systems and functions.

3.3.2.2.4. Set a framework for fraud prevention and detection including whistle-blower program.

3.3.2.3. Internal Audit

3.3.2.3.1. Responsible for setting up of the Group Internal Audit and approval of Internal Audit Charter.

3.3.2.3.2. Review and approve the annual internal audit plan, including the scope, frequency and adequacy of resources and responds to issues raised by the Group Internal Auditor.

3.3.2.3.3. Ensure that the internal auditors have free and full access to all the Company's records, properties and personnel relevant to the internal audit activity.

3.3.2.3.4. Obtain professional advice or hire special counsel or experts to provide necessary assistance during engagements.

3.3.2.3.5. Ensure quality of the auditing function.

3.3.2.3.6. Review the annual internal audit report.

3.3.2.3.7. Evaluate the qualifications and assess the performance of the Chief Audit Executive (CAE).

3.3.2.3.8. Require the CAE to periodically report to the Committee and render to the Committee and Senior Management an annual report on the Internal Audit's activity, purpose, authority, independence, responsibility and performance relative to the approved annual plan.

3.3.2.3.9. Require the CEO and the CAE to attest in writing, at least annually, that sound internal audit, control and compliance system is in place and working effectively.

3.3.2.4. External Audit

- 3.3.2.4.1. Review and evaluate the qualifications, performance, integrity, objectivity, independence and audit fees of the external auditor. Review and monitor the external auditor's suitability and effectiveness on an annual basis.
- 3.3.2.4.2. Ensure that the external auditor primarily responsible for the audit of the Company's financial account is rotated at least once every five (5) years.
- 3.3.2.4.3. Pre-approves audit plans, scope and frequency before the conduct of the external audit.
- 3.3.2.4.4. Evaluate and approve non-audit work, if any, of the external auditor, and review the non-audit fees paid to the external auditor in relation to their significance to the auditor's annual income and to the company's total expenditure on consultancy. Fees paid for the non-audit services should not outweigh the fees paid for the audit services. The non-audit work shall be disclosed in the corporation's annual report;
- 3.3.2.4.5. Review with the external auditor any problems, disagreements or difficulties the auditor may have encountered during the course of the audit.
- 3.3.2.4.6. Ensure the quality of audit by requiring the external auditor's compliance with relevant Philippine professional and regulatory requirements.
- 3.3.2.4.7. Ensures the external auditor has adequate control procedures and is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.

3.3.2.5. Related Party Transaction

- 3.3.2.5.1. Review and endorse to the Board all material related party transactions of the Company in accordance to the PHINMA Related Transactions Policy, provisions of the Revised Corporation Code of the Philippines, SEC issuances and other related laws.
- 3.3.2.5.2. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- 3.3.2.5.3. Ensure that related parties, RPTs and changes in relationships are reflected in relevant reports to regulators/supervisors.
- 3.3.2.5.4. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection

with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

- 3.3.2.5.4.1. The related party's relationship to the Company and interest in the transaction.
- 3.3.2.5.4.2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction.
- 3.3.2.5.4.3. The benefits to the Company of the proposed RPT.
- 3.3.2.5.4.4. The availability of other sources of comparable products or services
- 3.3.2.5.4.5. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.

- 3.3.2.5.5. 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 interest or potential conflicts of interest.
- 3.3.2.5.6. Report to the Board of Directors on a regular basis, RPTs and changes in relationships, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties taking into consideration the materiality threshold set by the Company.
- 3.3.2.5.7. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.
- 3.3.2.5.8. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

3.3.2.6. Compliance

- 3.3.2.6.1. Review the Company's system to monitor compliance with Code of Business Conduct and Ethics through the Integrity Assurance Program.
- 3.3.2.6.2. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

The complete duties and responsibilities including the authority of the Committee can be found in the Audit and RPT Charter which is available on the Company's website.

3.4. Risk Oversight Committee

The Committee assists the Board of the Corporation in fulfilling its corporate governance responsibility with respect to its oversight of the Corporation's risk management framework. While the Committee has responsibilities and powers set forth in the Charter, the Corporation's management is ultimately responsible for designing, implementing, and maintaining an effective risk management program.

3.4.1. Composition

The Committee shall consist of at least three (3) members, the majority of whom should be independent directors, including the Chairman. The Chairman of the Committee should not be the Chairman of the Board or of any other Committees.

The members of the Committee, including the Chair, shall be appointed by the Board on an annual basis. Each member shall have an adequate understanding of the Company's business and industry in which it operates and the corresponding risks faced by the Company. At least one member of the Committee shall have relevant thorough knowledge and experience on risk and risk management.

3.4.2. Duties and Responsibilities

3.4.2.1. Enterprise Responsibilities

3.4.2.1.1. General - Promote an open discussion regarding risks identified by the Corporation, as well as risks, identified by its subsidiaries that may have potential impact on the Company's operations.

3.4.2.1.2. Organizational Awareness - Review the Company's procedures in promoting risk awareness in the organization.

3.4.2.1.3. ERM Awareness - Oversee the implementation of a sound, adequate and effective Enterprise Risk Management (ERM) framework to effectively identify, monitor, assess, and manage key business risks.

3.4.2.1.4. Risk Governance - Review and discuss risk with Management the Company's risk governance structure and adequacy of policies and procedures for risk identification, assessment and mitigation.

3.4.2.1.5. Risk Profile - Review the Company's risk profile on an ongoing basis and re-evaluate the likelihood of occurrence, severity of impact of risk exposures, and any mitigating measures affecting those risks.

3.4.2.1.6. Mitigation Activities - Monitor the implementation of the Company's risk mitigation plans and other risk management activities.

3.4.2.1.7. Risk Reports - Review and discuss risk-related reports and issues raised by the Management internal auditors, external auditors, legal counsel and regulators that impact the Company's operations.

3.4.2.1.8. Risk Management Function - Review the objectivity, effectiveness and efficiency of the Company's risk management function in the context of the Company's size, scale, complexity and scope of operations.

3.4.2.1.9. External Support - Secure external technical support on risk management matters when such competence is not available internally.

3.4.2.1.10. CRO Endorsement - Endorse for the Board's approval the selection of a Chief Risk Officer (CRO).

3.4.2.1.11. CRO Support - Ensure that CRO has adequate authority, stature, resources, and support to fulfill his/her responsibilities.

3.4.2.2. Assessment Responsibilities

3.4.2.2.1. Self- Assessment - Periodically assess the Committee's effectiveness by comparing its performance with the requirements of the Charter and the CG Manual.

3.4.2.2.2. CRO Assessment - Periodically assess the performance of the CRO in providing overall leadership for the Company's risk management framework, risk management function and risk governance processes, including risk measurement, risk monitoring, risk control or mitigation and risk reporting.

3.4.2.2.3. Charter Assessment - Periodically review the Charter and recommend updates as needed to respond to new risk oversight needs and any changes in regulatory and other requirements.

3.4.2.3. Reporting Responsibilities

3.4.2.3.1. Results of Risk Management - Periodically report to the Board on the effectiveness of risk management strategies and the results of its oversight activities, including any significant risk issues, enterprise-level risk exposures and related recommendations.

3.4.2.3.2. Results of Assessment - Periodically report to the Board on the results of its assessments on the continuing applicability of the Charter as well as the performance of the CRO and the Committee itself.

3.5. Compensation Committee

The duties and responsibilities of this Committee include establishing a formal and transparent process for developing a policy on the compensation packages of corporate officers and directors, and providing oversight over compensation of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy, control environment, geographic operations and long-term objectives.

3.5.1. Composition

The Committee shall be composed of at least three (3) Directors, one of whom shall be an Independent Director. The Chairperson who shall be an Independent Director, shall be appointed by the Board.

3.5.2. Duties and Responsibilities

- 3.5.2.1. Establish a formal and transparent process for developing a policy on the compensation packages of corporate officers and directors;
- 3.5.2.2. Provide oversight over compensation of senior management and other key personnel, ensuring that compensation is consistent with the Company's culture strategy, control environment, geographic operations and long-term objectives.
- 3.5.2.3. Designate amount of compensation, which shall be at a sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to the approval of the Board.
- 3.5.2.4. 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 with their performance of duties once hired.
- 3.5.2.5. Disallow any director to decide his or her own compensation.
- 3.5.2.6. Provide in the Company's annual reports prescribed by the Commission, 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, consistent with the guidelines of the Commission.
- 3.5.2.7. Review the existing Human Resources Development or Personnel Handbook to strengthen provisions on:
 - conflict of interest,
 - salaries and benefit policies, considering the salaries paid by similar companies, time commitment and responsibilities and employment conditions elsewhere in the group and geographical scope of operations,
 - promotion and career advancement directives and
 - compliance of personnel concerned with all statutory requirements that must be met periodically in their respective posts.

3.6. Nominations Committee

The Committee oversees the nomination and election process for the company's Board of Directors. The Committee reviews the qualifications of candidates and submits a list of qualified nominees.

3.6.1. Composition

The Committee shall be composed of at least three (3) Directors, one of whom shall be an Independent Director. The Chairperson who shall be an Independent Director, shall be appointed by the Board.

3.6.2. Duties and Responsibilities

3.6.2.1. The Committee shall determine the nomination and election process for the Corporation's directors with the special duty of defining the general profile of board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board.

3.6.2.2. Subject to the pertinent provisions of the By-Laws on the disqualification of persons engaged in business, antagonistic to that of the Corporation, the Nominations Committee shall pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with the qualifications and disqualifications guidelines. The qualifications and disqualification guidelines are set forth in Article I, Sec. 2.7.2.

3.7. Retirement Committee

The Retirement Committee assists the Board in its oversight responsibilities related to the administration, funding and investment performance of the retirement plan of the company, and any other related activities and functions assigned by the Board.

4. Fostering Commitment

4.1. Board Meetings

4.1.1. Members of the Board should attend regular and special meetings of the Board in person or through remote communication, such as videoconferencing, teleconferencing, or other alternative modes of communication allowed by the SEC.

4.1.2. The Board may, to promote transparency, require the presence of at least two (2) Independent Directors in all of its meetings.

4.1.3. The Board may convene in a special meeting by the Chairman or by the President.

4.2. Policy on Multiple Board Seats

4.2.1. The Corporation shall ensure that adequate time and attention is given to the fulfilment of each Directors' duties. The Directors' membership in other Boards must not compromise their capacity to serve with diligence. The Chief Executive Officer and other executive directors shall

submit themselves to a low indicative limit on membership in other corporate boards. The non-executive directors of the Board shall concurrently serve as directors to a maximum of five (5) publicly listed companies.

4.2.2. The Corporate Secretary shall maintain a list of directorships of each Director and of the CEO both within and outside the PHINMA Group. To this end, the CEO and each Director shall inform and regularly update the Corporate Secretary of their directorships in other companies. Each Director shall notify the Board, through the Corporate Secretary, prior to his acceptance of any directorship outside the PHINMA Group during his/her term.

5. Board Independence

The board shall endeavor to exercise an objective and independent judgment on all corporate affairs.

5.1. Independent Directors

The Board should have at least three independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

5.2. Qualifications and Disqualifications of Independent Directors

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

An Independent Director refers to a person who, ideally:

5.2.1. 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;

5.2.2. 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; (*A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a three (3) year "cooling-off" period.*)

5.2.3. 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; (*Persons appointed as Chairman Emeritus, Ex-officio director/officers or members of any executive advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a three (3) year "cooling-off" period prior to his qualification as an Independent Director.*)

5.2.4. 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;

- 5.2.5. 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;
- 5.2.6. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- 5.2.7. 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;
- 5.2.8. 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;
- 5.2.9. 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;
- 5.2.10. 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
- 5.2.11. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

A nominee for an Independent Director shall submit a SEC Certificate of Independent Director Nominee to the company before the election to the Board.

5.3. Maximum Term or Tenure of Independent Directors

An independent Director shall serve for a maximum cumulative term of nine (9) years, in compliance with the pertinent rules of the SEC, after which the Independent Director shall be perpetually barred from reelection as such in the Company, but may continue to qualify for nomination and election as a non-independent director.

In the instance that the Board in its assessment resolves that it is valuable to the Company to retain an Independent Director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

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5.4. Separation of the roles of Chairman and Chief Executive Officer (CEO)

The positions of Chairman of the Board and Chief Executive Officer shall be held by separate individuals and each shall have clearly defined responsibilities.

5.4.1. Roles and Responsibilities of the CEO

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

The roles and responsibilities of the Chairman are provided under Article I, Section 2.3.

5.5. Lead Independent Director

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

The Board-designated lead director shall have the following functions:

- To serve as an intermediary between the Chairman and the other directors when necessary.
- To convene and chair meetings of the non-executive directors.

5.6. Conflict of Interest

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

No Director may engage in any business or undertaking that is directly or indirectly in competition with or prejudicial to the interests of PHINMA or to the performance of his job or work assignments. If an employee faces a situation that may involve or lead to a conflict of interest, the employee is required to disclose such information and seek appropriate guidance.

Conflict of Interest may occur when an employee's activities or personal interests conflict or appear to conflict with his or her responsibilities to PHINMA. An activity would be considered a conflict of interest if it:

- has a negative impact on PHINMA's business interests, reputation or relations with others; and
- interferes with an employee's judgment in carrying out his or her duties and responsibilities

If an actual or potential conflict of interest should arise on the part of Directors, it should be fully disclosed and the concerned Director should not participate in the decision making. A Director who has a continuing conflict of interest of a material nature should either resign or if the Board deems appropriate, be removed from the Board.

A contract of the Corporation with one (1) or more of its Directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:

- The presence of such Director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- The vote of such Director was not necessary for the approval of the contract;
- The contract is fair and reasonable under the circumstances;
- The contract is approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the contract;
- In case of an officer, the contract has been previously approved by the Board of Directors.

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

Where a Director, by virtue of his office, acquires for himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the Director must account to the latter for all such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the Director risked his own funds in the venture.

5.7. Periodic Meetings of Non-Executive Directors

Non-executive directors (NEDs) shall set 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

6. Board Effectiveness

The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

The Board has adopted a self-assessment performance evaluation process to rate the performance of the Board as a body, the individual directors, the Chief Executive Officer and the Chairman of the Board.

6.1. Annual Self-Assessment

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, committees and Management which includes and CEO and President.

When conditions and circumstances dictate, an assessment shall be done by the external evaluator. The external facilitator can be an independent party such as, but not limited to, a consulting firm, an academic institution, or a professional organization.

6.2. Assessment Criteria and Process

The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.

The Corporate Governance Committee oversees the evaluation process.

7. Board Ethics

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

7.1. Code of Business Conduct and Ethics

The Board shall adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the company website.

To ensure proper compliance with the Code, appropriate orientation and training of the Board, senior management and employees are necessary.

PHINMA Board Adopts a Code of Conduct which is available through the Company website. As a matter of policy, every director, officer and employee of the company should avoid any situation

that could interfere or appear to interfere with their independent judgment in performing their duties.

7.2. Implementation and Monitoring of Compliance with the Code of Business Conduct and Ethics

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

Directors, officers and employees are required to always act in the best interest of the company.

The Board shall be assisted by the Human Resources Department and Compliance Officer to ensure proper compliance with the Code.

ARTICLE II: DISCLOSURE AND TRANSPARENCY

1. Corporate Disclosures

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

1.1. Corporate Disclosure Policy

PHINMA has a Corporate Disclosures Manual which is available through the Company's website. The Corporate Disclosures Procedure Manual describes the standard procedures to be followed in the management of required corporate disclosures in compliance with rules and requirements of regulators.

1.2. Disclosure of Dealings of Directors and Officers

The Company shall 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.

The Corporate Disclosures procedure manual covers the submission of information on transactions / dealings of directors and officers on the company's securities. The procedure manual applies to all officers and employees of the company in charge of corporate disclosure responsibilities. The procedure manual details the disclosure process including the work instructions, identifying the assigned person for disclosure, the deadlines per type of disclosures and sources of data for the reports.

1.2.1 Insider Trading Policy

PHINMA has an Insider Trading Policy available through the website.

1.2.1.1. Blackout Rule

All covered persons and their relatives are strictly prohibited from trading shares of their respective companies on the day of disclosure and during the following designated blackout periods, whether or not in possession of material non-public information:

- Up to two (2) full trading days from the date a price-sensitive disclosure has been made.
- Two (2) trading days before submission of structured information to regulatory bodies.

All covered persons shall report their trades in accordance with the Insider Trading Policy of the Corporation.

1.3. Disclosure of Directors' and Key Officers' Information

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

1.4. Disclosure of Remuneration Policies

The company should provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report.

1.5. Disclosure of Related Party Transactions

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

Disclosure policy and procedures relating to RPT can be found in the Company's Corporate Disclosure Manual and RPT Policy.

1.6. Disclosure of Acquisition or Disposal of Assets

1.6.1. The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the offeree company should appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

1.7. Disclosure of the Company's Corporate Governance Policies, Programs and Procedures

1.7.1. 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.

1.7.2. All material information, i.e., anything that could potentially affect share price or adversely affect its viability or the interests of its stockholders and other stakeholders shall be publicly and timely disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes of ownership.

- 1.7.3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.
- 1.7.4. All disclosed information shall be released via the approved procedure for company announcements as well as through the annual report.
- 1.7.5. The Board shall commit at all times to fully disclose public, material and relevant information. It shall cause the filing of all required information through the appropriate mechanisms and submissions to the Commission for the interest of its stockholders and other stakeholders, including through media and analysts' briefings as the company may deem appropriate.
- 1.7.6. The company's corporate governance policies, programs and procedures shall be contained in its Manual on Corporate Governance, which should be submitted to the regulators and posted on the company's website.
- 1.7.7. The Company shall not communicate material non-public information about the Company to any person other than those enumerated below, unless the Company is ready to simultaneously disclose the material non-public information:
- 1.7.7.1. A person who is bound by duty to maintain trust and confidence to the Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and
- 1.7.7.2. A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.
- 1.7.8. The Company shall establish and implement internal controls that will require its officers, staff and any other person who is privy to the material non-public information to comply with the above requirement.

2. Strengthening The External Auditor's Independence and Improving Audit Quality

The company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

2.1. Appointment and Engagement of External Auditor

The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit and RPT Committee, approved by the Board and ratified by the shareholders.

- 2.1.1. The external auditor, through his designated role and responsibility, shall contribute to the enablement of good corporate governance as reflected in the financial records and reports of the Corporation. The external auditor shall undertake an independent audit which provides

reasonable and objective assurance on the way the Corporation's financial statements have been prepared and presented. The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee duly endorsed by the Board of Directors. The external auditor shall be required to stipulate his duties and responsibilities to the Corporation.

- 2.1.2. The external auditor, through his designated role and responsibility, shall contribute to the enablement of good corporate governance as reflected in the financial records and reports of the Corporation. The external auditor shall undertake an independent audit which provides reasonable and objective assurance on the way the Corporation's financial statements have been prepared and presented. The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee duly endorsed by the Board of Directors. The external auditor shall be required to stipulate his duties and responsibilities to the Corporation.
- 2.1.3. 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. For removal of the external auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the company website and required disclosures.
- 2.1.4. The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 2.1.5. The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier. This is also mentioned in Article I, Sec 3.3.2.4.2 Audit and RPT Committee Duties and Responsibilities on External Audit.
- 2.1.6. If an external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

2.2. Assessing the Integrity and Independence of the External Auditor

The Audit and RPT Committee Charter shall include the Committee's responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Charter shall also contain the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis. *(These are all included in the*

Company's Audit Committee and RPT Charter and are enumerated in Article I, Section 3.3.2.4 of this Manual.)

2.3. Non-Audit Services Performed by External Auditor

The company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit and RPT Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity. *(These are also discussed in Article I, Section 3.3.2.4.4 of this Manual.)*

3. Non-Financial and Sustainability Reporting

The company shall ensure that the material and reportable non-financial and sustainability issues are disclosed.

3.1. Disclosure of Non-Financial Information

The Board shall have 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. As required by the regulators, the company should adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

An Annual Sustainability Report shall be submitted and reflected in the Company's website.

4. Communication and Information

The company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

4.1. Communication Channels

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.

The company shall also use its company website to upload disclosures to the public.

4.2. Management's Responsibility for Information

Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

- 4.2.1. Present a balanced and understandable assessment of the Corporation's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
- 4.2.2. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

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Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by management to the Board.

Management, through the Governance and Compliance function, shall be responsible for publicly and timely disclosure of all material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders. 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.

The Board shall therefore commit at all times to full disclosure of material information dealings, including non-financial information, with emphasis on the management of material economic, environment, social and governance issues of the business, which underpin sustainability. It shall cause the filing of all required information through the appropriate mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

4.3. Communication of this Manual

- 4.3.1. This Manual shall be posted at the company's publicly available website and made available for inspection by any regulator or stockholder of the Corporation.
- 4.3.2. The Compliance Officer shall provide copies of the Manual to all directors. *(This is also one of the duties of the Compliance Officer discussed in Article I, Sec. 1.5.2.9. of this Manual.)*
- 4.3.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of the HRD, with a minimum of at least one (1) hard copy of the Manual per department.
- 4.3.4. In addition to the Manual, the Code of Business Conduct and Ethics shall be disclosed and made available to the public through the company website.

ARTICLE III: INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

1. Internal Control and Risk Management

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company shall have a strong and effective internal control system and enterprise risk management framework.

1.1. Internal Audit

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

The purpose, authority, responsibility and reporting relationships and the organizational status of the Internal Audit Activity is found the Group Internal Audit Charter and shall be available in the Company's website.

1.1.1. The Internal Audit Function 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 faithfully complied with. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing. The following are the functions of the internal audit, among others:

1.1.1.1. 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;

1.1.1.2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;

1.1.1.3. Performs consulting and advisory services related to governance and control as appropriate for the organization;

1.1.1.4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;

1.1.1.5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;

1.1.1.6. 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;

1.1.1.7. Evaluates specific operations at the request of the Board or Management, as appropriate;

- 1.1.2. The Audit Committee may require the Internal Auditor to periodically report to such Committee as may be necessary and submit its annual report on its activities, responsibilities and performance.
- 1.1.3. 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.
- 1.1.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

1.2. Chief Audit Executive

The Company shall have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization including that portion that is outsourced to a third party service provider.

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

- 1.2.1. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- 1.2.2. 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;
- 1.2.3. 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;
- 1.2.4. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- 1.2.5. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- 1.2.6. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

1.3. Risk Management Framework

The Company shall have a separate risk management function to identify, assess and monitor key risk exposures.

1.3.1. Risk Management

The risk management function involves the following activities:

- 1.3.1.1. Defining a risk management strategy;
- 1.3.1.2. Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the organization's strategic objectives;
- 1.3.1.3. Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;
- 1.3.1.4. Establishing a risk register with clearly defined, prioritized and residual risks;
- 1.3.1.5. Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;
- 1.3.1.6. Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and
- 1.3.1.7. Monitoring and evaluating the effectiveness of the organization's risk management processes.

1.3.2. Enterprise Risk Management Program

The PHINMA Enterprise Risk Management Program provides a framework for a coordinated effort among the company's board of directors, management, employees, and advisors aimed at the management of risks which could prevent the achievement of business objectives. The Enterprise Risk Management Program is formally integrated with the Company's annual strategic planning process ensuring that risk management resources are provided for and that risks identified and managed are relevant to the company's strategic objectives. The overall objective of the Program is to attain business objectives, increase shareholder value, build a resilient organization, and sustain PHINMA's mission of making lives better for Filipinos.

PHINMA's Enterprise Risk Management Program aims to:

- 1.3.2.1. Identify key risks which may prevent the achievement of strategic objectives and ensure appropriate management and mitigating plans are in place.
- 1.3.2.2. Regularly review the Risk Management Program to ensure continuous improvement in line with best global practices.

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- 1.3.2.3. Comply with risk management matters as required under the Corporate Governance Code of the Philippine Securities and Exchange Commission.
- 1.3.2.4. Ensure that all business continuity plans are tested and reviewed on a regular basis to safeguard and recover critical business processes and operations in a timely manner with minimal disruption to the businesses in the event of a calamity or similar event.

1.4. Chief Risk Officer

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

The CRO shall have the following functions:

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

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

ARTICLE IV: SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

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

1. Stockholder's Rights and Protection of Minority Stockholders' Interests

The company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

1.1. Rights of Shareholders

The Board shall ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance and on the company's website. Shareholders' rights relate to the following, among others:

1.1.1. Pre-emptive rights

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

1.1.2. Right to Dividends

Shareholders shall have the right to receive dividends subject to the discretion of the Board. The Corporation shall be compelled to declare dividends when its distributable retained earnings shall be in excess of 100% of its paid-in capital stock, except:

- 1.1.2.1. when justified by definite corporate expansion projects or programs approved by the Board or
- 1.1.2.2. 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
- 1.1.2.3. when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

1.1.3. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting;

The right to propose the holding of meetings and items for inclusion in the agenda is given to all shareholders, including minority and foreign shareholders.

1.1.4. Right to nominate candidates to the Board of Directors;

All shareholders shall be given the opportunity to nominate candidates to the Board of Directors in accordance with the existing laws. The procedures of the nomination process are expected to be discussed clearly by the Board.

1.1.5. Voting Right

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

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1.1.5.4. Voting procedures that would govern the Annual and Special Shareholders' Meeting.

1.1.6. Right 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 furnish annual reports, including financial statements, without cost or restrictions.

1.1.7. Right to Information

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

1.1.7.2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.

1.1.7.3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose such matters in the agenda of the shareholders' meeting, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.

1.1.7.4. The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website within five business days from the end of the meeting.

1.1.8. Appraisal Right

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

1.1.8.1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholders 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;

1.1.8.2. 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

1.1.8.3. In case of merger or consolidation.

1.2. Notice of Annual and Special Shareholders' Meeting

The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.

Required information in the Notice include, among others, the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated on and approved or ratified at the meeting.

1.3. Voting Results and Minutes of the ASM

The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website within five business days from the end of the meeting.

1.4. Dispute Resolution

The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. This duty of the Board is also found in Article I Sec.2.2.11 of this Manual.

1.5. Investor Relations

The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting to ensure constant engagement with the shareholders. The IRO is tasked with:

1.5.1. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;

1.5.2. Formulation of a clear policy on communicating or relating relevant information to Corporation stockholders and to the broader investor community accurately, effectively and sufficiently;

1.6. Duty of the Directors to Promote Shareholder Rights

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

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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.

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

ARTICLE V: DUTIES TO STAKEHOLDERS

1. Rights of Stakeholders

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders shall have the opportunity to obtain prompt effective redress for the violation of their rights.

1.1. Identification of the Company's Various Stakeholders

The Board shall identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.

1.2. Policies and Programs to Provide a Mechanism on the Fair Treatment and Protection of Stakeholders.

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

1.3. Redress for the Violation of Stakeholders Rights

The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

2. Employees' Participation

A mechanism for employee participation shall be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

2.1. Policies, Programs and Procedures That Encourage Employee Participation

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.

2.2. Gifts and Gratuities Policy

The Company Adopts a Gifts and Gratuity Policy which forms part of the PHINMA Integrity Assurance Program. As a matter of policy, accepting, offering or giving of any amount cash as a form of gift is prohibited.

2.3. Anti-Fraud Policy

The Anti-Fraud Policy forms part of the PHINMA Integrity Assurance Program and sets out to achieve the following:

- 2.3.1. Promote a transparent, ethical and anti-fraud culture within the organization by declaring PHINMA's "zero tolerance" policy towards fraud
- 2.3.2. Define the responsibilities for preventing, detecting, reporting and investigating fraud
- 2.3.3. Identify the procedures to be followed in the event of fraud being detected or suspected

2.4. Whistleblowing and Non-Retaliation Policy

The Whistleblowing and Non-Retaliation Policy exemplifies PHINMA's firm commitment by providing a mechanism for reporting perceived and actual irregularities that are contrary to PHINMA's Core Values while providing appropriate protection for whistleblowers from possible retaliation.

2.5. Policy in relation to Health, Safety and Welfare of Employees

PHINMA promotes health, safety and welfare of employees contained in its Policy for Employees' Safety, Health and Welfare including Company Sponsored Training and Policy against Sexual Harassment.

All policies mentioned above shall be available on the Company's website.

3. Sustainability and Social Responsibility

The company shall be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive

PHINMA's sustainability strategy is crucial in ensuring that the Company is able to protect key resource systems and continue providing for future generations. Guided by the triple bottom line commitment to a sustainable future, PHINMA will prosper for generations to come.

COMPLIANCE SYSTEM

The Corporation's compliance system shall be overseen by the Compliance Officer appointed by the Board of Directors. The Compliance Officer shall ensure the Corporation's compliance with all relevant laws, rules and regulations, particularly of all relevant regulatory agencies.

Regulators pertain primarily to:

1. Securities and Exchange Commission (SEC)
2. Philippine Stock Exchange (PSE)
3. Philippine Dealing and Exchange Corporation (PDEX)

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MONITORING COMPLIANCE WITH THIS MANUAL

The Compliance Officer shall establish an evaluation system to determine the measure of compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under PENALTIES FOR NON-COMPLIANCE of this Manual.

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the Board of Directors may impose the penalties, after notice and hearing, on the individual directors, officers, and employees, such as censure, suspension and removal from office depending on the gravity of the offense as well as the frequency of the violation.

The commission of a grave violation of this Manual by any member of the Board of the Corporation shall be sufficient cause for removal from directorship.

REVIEW AND AMENDMENT OF THIS MANUAL

This Manual is subject to review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements. The periodic review may be initiated by or any request for amendment coursed through the Governance and Compliance Team, the Compliance Officer, the Corporate Governance Committee or the Board of Directors.

This Manual shall be submitted to the regulators within five business days after board approval and post the same to its publicly-available website.

All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.

CHARTERS OF THE BOARD AND BOARD COMMITTEES AND COMPANY POLICIES

The Charters of the Board and Board Committees, and any amendments thereto, which are referenced in this Manual are deemed incorporated.

Company Policies relating to governance and its stakeholders and their amendments, are deemed included in this Manual.

REFERENCES

SEC Memorandum Circular No. 14 Series of 2019 (also known as the Code of Corporate Governance for Publicly Companies and Registered Issuers)

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SEC Memorandum Circular No. 19 Series of 2016 (also known as the Code of Corporate Governance for Publicly Listed Companies in the Philippines)

SEC Memorandum Circular No. 2, series of 2002 (Code of Corporate Governance of 2002)

Revised Corporation Code of 2019

Relevant Securities and Regulation Code Rules

PSE Listing and Disclosure Rules

PDS / PDEX Disclosure Rules

ADOPTION AND EFFECTIVITY OF THE REVISED MANUAL

First version of this manual was adopted by the Board of Directors on August 19, 2002. Further revisions shall be effective upon approval by the Board of Directors.

REVISION HISTORY

Revision No.	Description of Revision	Board Approval Date
1	Amendment of Paragraph 5.6	March 29, 2004
2	Amendment of Paragraphs 2.1.2(4), 2.3.3.4(5), and 4.2	February 5, 2008
3	Amendment of Paragraphs 2.1.2(1) to (3), 2.2.1(2), 2.2.1.1, 2.2.1.2, 2.2.1.3(3) to (4), (7) to (11), (13), (16) to (18), 2.2.2.1.1 (3), (8) to (10), (12) to (13), (18), (20), (22) to (24), 2.2.2.3.2(4) to (7), (9), (14), 2.3.3.4(4)&(6), 2.3.5(1)&(2), 5.2 and 6.1.9	March 3, 2011
4	Amendment of Paragraphs 2.2.1.3 (1) and (8), 2.2.2.3.2 (14), 2.3.3.4 (3) and 5 (2)	May 28, 2014
5	Amendment to substantially adopt the 2016 Code of Corporate Governance for Publicly-Listed Companies	May 15, 2017
6	Amendment of Paragraphs 2.2.2.1.2 and 2.2.2.1.3	March 6, 2018
7	Amendment of Paragraphs 2.2.1.1, 2.2.2, 2.2.2.1, 2.2.2.1.1, 2.2.2.3 and 2.2.2.3.1	November 5, 2020
8	Amended to substantially adopt recommendations in the 2016 Code of Corporate Governance for Publicly-Listed Companies, 2019 Revised Corporation Code, relevant SEC circulars, company policies, disclosures in the Integrated Annual Corporate Governance Report and corporate governance practices of the Company.	November 11, 2022

Governance Team	Mr. Rolando D. Soliven Compliance Officer	Corporate Governance Committee	Board of Directors
November 4, 2022	November 10, 2022	November 10, 2022	November 11, 2022
Prepared by	Reviewed by	Endorsed by	Approved by