

# AMENDED MANUAL ON CORPORATE GOVERNANCE

## CLUB PUNTA FUEGO, INC.

The Board of Directors and Management, i.e. officers and staff, of Club Punta Fuego, Inc (the "Club") hereby commit themselves to the principles and best practices contained in this Manual and acknowledge that the same may guide the attainment of our corporate goals.

### 1. OBJECTIVE

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

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

### 2. COMPLIANCE SYSTEM

#### 2.1 Compliance Officer

To ensure adherence to Club principles and best practices, the Board of Directors shall designate a Compliance Officer who shall hold the position of a Senior Manager or its equivalent. He shall be a separate individual from the Corporate Secretary and shall not be a member of the Board of Directors. He shall have direct reporting responsibilities to the Chairman of the Board.

He shall perform the following duties:

- a) Monitor compliance by the Club with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies;
- b) Appear before the Securities and Exchange Commission (the "Commission") upon summon in relation to compliance with this Manual;
- c) Determine violation/s of the Manual 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;
- d) Issue a certification every January 30<sup>th</sup> of the year on the extent of the Club's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same;
- e) Identify, monitor and control compliance risks; and
- f) Annually attend a training on corporate governance.

The appointment of the compliance officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

#### 2.2 Plan of Compliance

##### 2.2.1 Board of Directors

Compliance with the principles of good corporate governance shall start with the Board of Directors (the "Board"). The Board is primarily responsible for the governance of the Club.

Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

The Board hereby adopts the attached Board Diversity Policy, Board Charter, Corporate Governance Committee Charter, Audit Committee Charter, and Internal Audit Charter.

#### 2.2.1.1 Composition of the Board

The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders, at least two (2) of whom must be independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

The independent directors must possess the necessary qualifications and none of the disqualifications for an independent director to hold the position. The independent directors shall only serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Club wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek stockholders' approval during the annual stockholders' meeting.

The Board should be composed of a majority of non-executive directors.

The non-executive directors must possess qualifications and stature that shall enable them to effectively participate in the deliberations of the Board and help secure objective, independent judgment on corporate affairs and to carry out proper checks and balances. The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.

All directors must complete the appropriate training to be provided by the Club, including an orientation program for first-time Directors and relevant annual continuing training for all Directors.

A director who is offered a directorship in another company shall notify the Board before accepting the said offer.

#### 2.2.1.2 General Responsibility of the Board

It shall be the Board's responsibility to foster the long-term success of the Club and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Club, its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Board shall formulate the Club's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the Management's performance. The Board shall, at all times, act on a fully informed basis, in good faith, with due diligence and care.

### 2.2.1.3 Duties and Functions of the Board

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

- a) Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the Club. Subject to the Club's size, risk profile and complexity of operations, include in this program a retirement age for directors and key officers as part of Management succession and to promote dynamism in the Club;
- b) Ensure that the performance by Management, including the President and other personnel, is at par with the standards set by the Board;
- c) Conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and committees;
- d) Determine the Club's purpose, its vision and mission and strategies to carry out its objectives;
- e) Provide sound strategic policies and guidelines to the Club on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- f) Ensure that the Club complies with all relevant laws, regulations and codes of best practices;
- g) Identify the Club's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program. If feasible, the Club's President or chief financial officer shall exercise oversight responsibility over this program. The Board shall establish an Investor Relations Office (IRO) or Customer Relations Office (CRO) or its equivalent to ensure constant engagement and communication with its stockholders. The IRO or CRO or its equivalent should be present at every shareholder' meeting;
- h) Adopt a system of internal checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. Such system should allow for a feedback mechanism from the stockholders. There should be a continuing review of the Club's internal control system in order to maintain its adequacy and effectiveness;
- i) Identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Club to anticipate and prepare for possible threats to its operational and financial viability;

- j) Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be minuted;
- k) Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation;
- l) Identify the sectors in the community in which the Club operates and formulate a clear policy of accurate, timely and effective communication with them;
- m) Formulate and implement policies and procedures to ensure integrity and transparency of related party transactions between and among the Club and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- n) Constitute an Audit Committee and such other committees as it deems necessary to assist the Board in the performance of its duties and responsibilities;
- o) Establish an appropriate internal control system, set up a mechanism for monitoring and managing potential conflicts of interest of Management, Directors, and stockholders, and approve the internal audit charter;
- p) Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to stockholders and other stakeholders that gives a fair and complete picture of the Club's financial condition, results, and business operations;
- q) Formulate and implement a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business;
- r) Establish and maintain an alternative dispute resolution system in the Club to amicably settle conflicts between the Club and its stockholders and the Club and third parties, including the regulatory authorities;
- s) Subject to the Club's size, risk profile and complexity of operations, align the remuneration of key officers and board members with the long-term interests of the Club and adopt a policy specifying the relationship between remuneration and performance;
- t) Subject to the Club's size, risk profile and complexity of operations, establish an adequate and effective Internal control system and an Enterprise Risk Management framework in the conduct of the Club's business.
- u) Enforce the Board charter that (i) clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties; (ii) serves as a guide in the performance of the Board's functions; and (iii) is publicly available;
- v) Adopt a Code of Business Conduct and Ethics that provides standards for professional and ethical behavior, as well as articulates acceptable and unacceptable conduct and practices in internal and external dealings of board

members. The Code shall include an anti-corruption policy and program which shall be disseminated to employees across the Club through orientations and continuous trainings to embed them in the Club's culture. The Code should be properly disseminated to all members of the Board and made available to the public through the Club website;

- w) Establish, supervise, and enforce a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns;
- x) Ensure the proper and efficient implementation and monitoring of compliance with the said Code of Business Conduct and Ethics;
- y) Ensure that basic shareholder rights are disclosed in the Manual on Corporate Governance;
- z) Encourage active shareholder participation by (i) sending the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at least twenty-one (21) days before the meeting; and (ii) making the results of the votes on matters taken during the most recent Annual or Special Stockholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Stockholders' Meeting should be available on the Club website within five (5) business days from the date of the meeting;
- aa) Subject to the Club's size, risk profile and complexity of operations, identify the Club's various Stakeholders and cooperate with them to create wealth, growth and sustainability;
- bb) Subject to the Club's size, risk profile and complexity of operations, establish clear policies and programs to provide a mechanism on the fair treatment and protection of Stakeholders;
- cc) Subject to the Club's size, risk profile and complexity of operations, establish policies, programs and procedures that encourage employees to actively participate in the realization of the Club's goals and its governance;
- dd) Recognize the interdependence of business and society, and promotes a mutually beneficial relationship that allows the Club to grow its business while contributing to the advancement of society; and
- ee) Appoint a Compliance Officer who shall have the rank of at least Senior Manager.

#### 2.2.1.4 The Chairman of the Board of Directors and the President

The roles of Chairman of the Board of Directors (the "Chair") and the President, who shall be the Chief Executive Officer of the Club, shall be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions shall be made between the Chair and the President upon their election.

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

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

- a) Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- b) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, management and the directors; and
- c) Maintain qualitative and timely lines of communication and information between the Board and Management.

#### 2.2.1.5 Duties and Responsibilities of a Director

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

A director shall have the following duties and responsibilities:

- a) To conduct fair business transactions with the Club and to ensure that personal interest does not conflict with the interests of the Club;
- b) To fully disclose any adverse interest, whether material or potential, in any transaction affecting the Club, abstain from taking part in the deliberations for the same, and recuse from voting on the approval of the transaction;
- c) To devote time and attention necessary to properly and effectively discharge his duties and responsibilities;
- d) To act judiciously;
- e) To exercise independent judgment;
- f) To have a working knowledge of the statutory and regulatory requirements affecting the Club, 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; and
- g) To observe confidentiality.

#### 2.2.1.6 Internal Control Responsibilities of the Board

The control environment of the Club consists of (a) the Board which ensures that the Club is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Club in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Club's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

2.2.1.6.1 The minimum internal control mechanisms for the performance of the Board's oversight responsibility may include:

- a) Definition of the duties and responsibilities of the President/CEO who is ultimately accountable for the Club's organizational and operational controls;
- b) Selection of the person who possesses the ability, integrity and expertise essential for the position of President/CEO;
- c) Evaluation of proposed senior management appointments;
- d) Selection and appointment of qualified and competent management officers; and
- e) Review of the Club's human resources policies, conflict of interest situations, compensation program for employees, and management succession plan.

2.2.1.6.2 The scope and particulars of the 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.

2.2.1.6.3 The Club shall establish an internal audit system that can reasonably assure the Board, Management and stockholders that its key organizational and operational controls are faithfully complied with. The Board shall appoint an Internal Auditor in accordance with the rules set forth in this Manual.

#### 2.2.1.7 Board Meetings and Quorum Requirement

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

Independent directors should always attend board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

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

Non-executive directors should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Club. The meetings should be chaired by the lead independent director, if applicable.

### 2.2.1.8 Remuneration of Directors and Officers

The levels of remuneration of the Club should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The Club may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the Club. No director shall participate in deciding on his remuneration.

The Club's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and top four (4) management officers during the preceding fiscal year.

## 2.2.2 Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

### 2.2.2.1 Corporate Governance Committee

The Board shall create a **Corporate Governance** Committee composed of at least three (3) directors, majority of whom should be independent directors, including the Chairperson.

- 2.2.2.1.1. It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

#### Qualifications

- a) Holder of at least one (1) share of stock of the Club;
- b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- c) He shall be at least twenty one (21) years old;
- d) He shall have practical understanding of the business of the Club; and
- e) He shall be a member in good standing of relevant industry, business professional organizations; and
- f) He shall have previous business experience.

## **Disqualifications**

Any of the following shall be a ground for the permanent disqualification of a director:

- a) 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;
- b) Any person convicted by final judgment or order by a competent judicial or administrative body of an offense involving moral turpitude or fraudulent act or transgressions, to include 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;
- c) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

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

- d) Any person finally found by the Commission or a court or other 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 administered by the Commission or BSP, or any rule, regulation or order of the Commission or BSP;
- e) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Club;
- f) Any person judicially declared to be insolvent;

- g) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs;
- h) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violations of the Corporation Code, committed within five (5) years prior to the date of his election or appointment;

Any of the following shall be a ground for the temporary disqualification of a director:

- a) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- b) Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- c) Dismissal/termination from directorship in another club or listed corporation for cause. 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;
- d) If the beneficial equity ownership of an independent director in the Club or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with; and
- e) If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final.

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

2.2.2.1.2 In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the President by integrating the dynamics requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

2.2.2.1.3 The Corporate Governance Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- a) The nature of the business of the Club of which he is a director;
- b) Age of the director;

- c) Number of directorships/active memberships and officerships in other clubs, corporations or organizations; and
- d) Possible conflict of interest.

The optimum number of directorships shall take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

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

2.2.2.1.4 Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of Club officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Club's culture, strategy and control environment.

2.2.2.1.5. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Club successfully.

2.2.2.1.6 Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.

2.2.2.1.7 Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.

2.2.2.1.8 Disallow any director to decide his or her own remuneration.

2.2.2.1.9 Provide in the Club's annual reports, information and proxy statements clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.

2.2.2.1.10 Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries, and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

2.2.2.1.11 Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated below.

## 2.2.2.2 Audit Committee

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

#### 2.2.2.3.2 Duties and Responsibilities

- a) Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- b) Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Club, and crisis management. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c) Review and pre-approve all audit plans, scope and frequency to ensure its conformity with objectives of the Club one (1) month before the conduct of external audit;
- d) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- e) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal. The department shall provide an independent and objective assurance, and consulting services designed to add value and improve the Club's operations;
- f) Monitor and evaluate the adequacy and effectiveness of the Club's internal control system, including financial reporting control and information technology security;
- g) Review the reports submitted by the internal and external auditors;
- h) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - i. Any change/s in accounting policies and practices
  - ii. Major judgmental areas
  - iii. Significant adjustments resulting from the audit
  - iv. Going concern assumptions
  - v. Compliance with accounting standards
  - vi. Compliance with tax, legal and regulatory requirements;
- i) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

- j) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Club's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Club's annual report;
- k) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;
- l) Create a robust process for approving and recommending the appointment, reappointment, removal and fees of the external auditor, subject to Board approval and shareholder ratification. The reason for removal or change of external auditor shall be disclosed to the Commission, the stockholders, and the public through the Club's website and other required disclosures;
- m) Enforce the Audit Committee Charter which includes the Committee's responsibility on: (a) assessing the integrity and independence of external auditors; (b) exercising effective oversight to review and monitor the external auditor's independence and objectivity; (c) the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements; and (d) reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis;
- n) Perform direct interface and oversight functions with the internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;
- o) Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
  - i. A definitive timetable within the accounting system of the Corporation will be 100% International Accounting Standards (IAS) compliant;
  - ii. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task;
- p) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Club through a

step-by-step procedures and policies handbook that will be used by the entire organization;

- r) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.

### **2.2.3 The Corporate Secretary**

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

2.2.3.2 The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines. He shall be a separate individual from the Compliance Officer and shall not be a member of the Board of Directors.

2.2.3.3 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.

#### **2.2.3.4 Duties and Responsibilities**

- a) Be loyal to the mission, vision and objectives of the Club;
- b) Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- c) Have appropriate administrative and interpersonal skills;
- d) Be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- e) Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation and have a working knowledge of the operations of the Club;
- f) Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain record of the same;
- h) Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- i) Submit to the Commission, on or before January 30 of the following year, a sworn certification as to the directors' record of attendance in Board meetings through SEC Form 17-C or in a separate filing;

- j) Keep and preserve the integrity of the minutes of the meetings of the Board, as well as other official records of the Club; and
- k) Annually attend a training on corporate governance.

#### **2.2.4 External Auditor**

- 2.2.4.1 An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Club. The Board of Directors shall appoint annually an External auditor who shall audit the books of the Club and render a report to the Board of Directors and Stockholders, shall prepare the Annual Balance sheet and Financial Statements, and perform such other functions as the Board may prescribe. He shall submit his Audit Report in time for the annual stockholders' meeting.
- 2.2.4.2 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Club'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.
- 2.2.4.3 The external auditor of the Club shall not at the same time provide the services of an internal auditor to the same client. The Club shall ensure that other non audit work shall not be in conflict with the functions of the external auditor.
- 2.2.4.4 The Club's external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Club shall be changed with same frequency.
- 2.2.4.5 If an external auditor believes that the statements made in the Club's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present views in said reports.

#### **2.2.5 Internal Auditor**

- 2.2.5.1. The Club shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- 2.2.5.2. The Internal Auditor shall report to the Audit Committee.
- 2.2.5.3 The Minimum internal control mechanisms for management's operational responsibility shall center on the President, being ultimately accountable for the Clubs' organizational and procedural controls.
- 2.2.5.4 The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

### **3. COMMUNICATION PROCESS**

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

### **4. TRAINING PROCESS**

- 4.1 If necessary, funds shall be allocated by the CFO or its equivalent for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 4.2 A Director may, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

### **5. REPORTORIAL OR DISCLOSURE SYSTEM OF CLUB'S CORPORATE GOVERNANCE POLICIES**

- 5.1 The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Club's Compliance Officer;
- 5.2 All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership. These shall also be disclosed in the Annual Corporate Governance Report, which should be submitted to the Commission, and continuously updated and posted on the Club's website.
- 5.3 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.
- 5.4 All disclosed information shall be released via the approved stock exchange procedure for Club announcements as well as through the annual report.
- 5.5 The Board shall commit at all times to fully disclose material information dealings. It shall cause the fitting of all required information for the interest of the stockholders.
- 5.6 The Board shall require all directors and officers to disclose/ to the Club any dealings in the Club's shares by the said directors and officers within five (5) business days.

### **6. ADEQUATE AND TIMELY INFORMATION**

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

- 6.2 Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to Management and the Corporate Secretary.
- 6.3 The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
- 6.4 The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Club's expense.

## **7. ACCOUNTABILITY AND AUDIT**

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

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

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

- (i) The extent of its responsibility in the preparation of the financial statements of the Club, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Club should be maintained for the benefit of all stockholders and other stakeholders;
- (iii) On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Club's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- (iv) The Club should consistently comply with the financial reporting requirements of the Commission;
- (v) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Club, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal

Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

- 7.2. The Board, after consultation with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Club, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Club. Non-audit work may be given to the external auditor, provided it does not conflict with his duties as an independent auditor, or does not pose a threat to his independence.
- 7.3 If the external auditor resigns, is dismissed or ceased to perform his services, the reason(s) for the date of effectivity of such action shall be reported in the Club's annual and current reports. The report shall include a discussion of any disagreement between him and the Club on accounting principles and practices, financial disclosures or audit procedures which the former auditor and the Club failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Club to the external auditor before his submission.
- 7.4 If the external auditor believes that any statement made in the annual report, information statement or any report files with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said report.

## 8. STOCKHOLDERS' BENEFIT

The Club 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 Club and all its investors;

### 8.1 INVESTORS' RIGHTS' AND PROTECTION

#### 8.1.1 Rights of Investors/Minority Interests

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

##### 8.1.1.1 Voting Rights

8.1.1.1.1 Except for the nine (9) Founders' Shares, voting rights of the shares will be suspended. Five (5) years after approval of the Articles of Incorporation, the voting rights of the rest of the common shares shall automatically be revived, thus, putting them on equal footing in all respect with the Founders' Shares.

8.1.1.1.2 Each registered owner of a share of stock in good standing, whether a natural or juridical person shall have the right to vote in a person or by proxy the number of shares outstanding in his name and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall not exceed the number of shares owned by him multiplied by the total number of Directors to be elected. The **Corporate Governance** Committee shall adopt the rules of procedures for balloting, act as

election inspectors, and insure the proper and orderly conduct of election. Elections shall be by secret balloting.

8.1.1.1.3 A Director shall not be removed without cause if it will deny minority stockholders representation in the Board.

#### 8.1.1.2 Pre-emptive Right

All stockholders shall have pre-emptive rights, 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 stockholders 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.

#### 8.1.1.3 Power of Inspection

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

#### 8.1.1.4 Right to Information

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

8.1.1.4.2 The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are legitimate business purposes.

8.1.1.4.3 The minority stockholders 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 stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of the "legitimate purposes".

#### 8.1.1.5 Right to Use all of the Clubs' Facilities

8.1.1.5.1 The Club is an exclusive club and organized on a non-profit basis for the sole benefit of its registered stockholders/members.

8.1.1.5.2 Subject to approval by the Club's Board of Directors, ownership of a share shall entitle the registered stockholders thereof, or his designated assignee, to membership in the Club. Subject to the terms and conditions, the By-Laws and rules and regulations as may from time to time be prescribed by the Board of Directors, Members shall have the right to use all the Club's facilities.

#### 8.1.1.6 Appraisal Right

The stockholders' 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:

- a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or extending or shortening the term of corporate existence;
- b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the Corporation Code; and
- c) In case of merger or consolidation.

8.2 It shall be the duty of the directors to promote the stockholders' rights, remove impediments to the exercise of those rights, and provide an adequate venue for them to seek timely redress for breach of their rights. They shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

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

8.4 Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Club.

## 9. MONITORING AND ASSESSMENT

9.1 Each Committee shall report regularly to the Board of Directors.

9.2 The Compliance Officer shall establish an internal self-rating system or an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 12 of this Manual.

9.3 The establishment of such evaluation system, including the features thereof, shall be disclosed in the Club's annual report (SEC Form 17-A) or in such form of report that is applicable to the Club. The adoption of such performance evaluation system must be covered by a Board approval.

9.4 This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

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

## **10. DISCLOSURE AND TRANSPARENCY**

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

It is therefore essential that all material information about the Club which could adversely affect its viability or the interests of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, 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. It shall cause the filing of all required information through the appropriate exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

## **11. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

As part of the Club's commitment to corporate governance, it shall establish and implement its corporate governance rules in accordance with the SEC's Code of Corporate Governance for Public Companies and Registered Issuers (the "Code"). The rules shall be embodied in this Manual that can be used as reference by the members of the Board and the Management of the Club. This Manual shall be submitted to the Commission within six months from the date of effectivity of the Code to enable the Commission to determine the Club's compliance with the Code, taking into consideration the nature, size and scope of business of the Club.

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

## **12. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

12.1 To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Club's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

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

12.2 The commission of a third violation of this Manual by any member of the Board of the Club or its subsidiaries and affiliates shall be a sufficient cause for removal from the Board.

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

Signed this 29<sup>th</sup> day of September 2020.



**PEDRO E. ROXAS**  
CHAIRMAN OF THE BOARD



**EDGAR P. ARCOS**  
COMPLIANCE OFFICER