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25 August 2021

Securities and Exchange Commission
Secretariat Building, PICC Complex
Pasay City

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**
Director, Corporate Governance and Finance Department

Philippine Stock Exchange
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

Further to our disclosure last August 12, 2021, we are submitting herewith our Revised Corporate Governance Manual.

We trust that you find the foregoing in order.

Thank you.

Very truly yours,


Laurice S. Dela Cruz
Chief Finance Officer (OIC)
and Compliance Officer



INTEGRATED MICRO-ELECTRONICS, INC.

CORPORATE GOVERNANCE MANUAL

2021

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ARTICLE I

PREAMBLE

Corporate governance refers to “the framework of rules, systems and processes in the Corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and the community in which it operates.”¹ It encompasses the entirety of the legal and factual regulatory framework for managing and supervising a Corporation.² The primary goal of corporate governance is to create and sustain increased value in the Corporation for all of its stockholders and other stakeholders. To achieve this goal, it is necessary – among other things – to clearly set forth the principles of appropriate supervision and good management, and thereby lay the groundwork for development and implementation of value-creating activities. Moreover, it is as important that these agreed principles of governance are made transparent to all stockholders concerned and other stakeholders; thereby safeguarding stockholders’ and other stakeholders’ rights as well as promoting stockholders’ and other stakeholders’ participation in the corporate governance process.

The governing rules for Corporate Governance is not drawn from any single document. The Philippine Corporation Code lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (Republic Act No. 8799), and the implementing rules and regulations thereof, the Code of Corporate Governance (SEC Memorandum Circular No. 2, Series of 2002, as amended by SEC MC No. 6 Series of 2009 and SEC MC 9, series of 2014) as well as the Code of Corporate Governance for Publicly-listed Companies issued by the Securities and Exchange Commission (“SEC” or “Commission”). When the context allows and when appropriate, a term used herein shall have the meaning given to such term in the relevant and applicable laws and implementing rules and regulations.

The machinery for corporate governance of Integrated Micro-Electronics, Inc. (the “Corporation”) is principally contained in the Corporation’s Articles of Incorporation and By-Laws and their amendments. These constitutive documents lay down, among other things, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of this Revised Manual of Corporate Governance is to supplement and complement the Corporation’s Articles and By-Laws by setting forth principles of good and transparent governance.

The Board of Directors, Management, Officers and employees of the Corporation commit themselves to the principles and best practices of governance contained in this Manual as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization declares its continuing commitment to the Corporation’s Vision and Mission which are made integral parts of this Manual.

¹ SEC Memorandum Circular No. 9, Series of 2014.

² Berlin Initiative Group Code of Corporate Governance.



OUR VISION

The Leading INNOVATIVE Partner for CUSTOMIZED Solutions. Our PEOPLE deliver the HIGHEST quality experience.

OUR MISSION

Passionately create a unique product realization experience that our partners love.

OUR CORE VALUES

Integrity: Honesty, trustworthiness and consistency in words and actions.

Customer Focus: Building strong partnership with customers by providing excellent and mutually beneficial solutions.

Concern for others: Caring for co-employees, community and country.

Excellence: Doing the best and continuously exceeding expectations.

ARTICLE II
BOARD GOVERNANCE

1. The Board of Directors

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

1.1 Composition

The Board of Directors shall have eleven (11) members elected **individually** by the Corporation's stockholders entitled to vote at the annual meeting. **Majority of the Directors shall have no executive responsibility and shall not perform any work related to the operations (Non-Executive Directors).**

1.2 Diversity

The Corporation is committed to having our Board comprised of qualified and dedicated Directors with a diverse mix of expertise, experience, skills and backgrounds. Diversity includes business experience, age, gender and ethnicity. Nominees shall be selected based on merit. **With respect to gender, the Board shall strive to be composed of at least 30% female directors or at least two (2) female directors, whichever is lower, by 2025.**

1.3 Term

Directors shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

1.4 Retirement Age of Directors

The Board should be responsible for ensuring and adopting an effective succession planning program for Directors, key officers and management to ensure growth and a continued increase in the shareholders' value.

No person eighty (80) years of age or older shall be eligible for election, re-election, appointment or re-appointments as a member of the Board, **subject to exceptions as may be approved by the Board of Directors, taking into account the relevant qualifications and invaluable contribution of the Director and the special circumstances affecting the Corporation.**

1.5 Policy on Multiple Board Seats

The Corporation shall ensure that adequate time and attention is given to the fulfillment of the Directors of their duties. The Corporation encourages Independent Directors and Non-executive Directors to hold no more than five (5) board seats in publicly-listed companies (PLCs) and Executive Directors to hold no more than two (2) board seats in listed companies outside the Corporation's group.³ **These limits may be waived by the Board at its discretion provided the interests of our stockholders and stakeholders are not prejudiced. The Board may also allow Executive Directors to hold directorships that are necessary or desirable in the pursuit of the Corporation's business.**

1.6 Qualifications

A director of the Corporation shall have the following qualifications.

³ ACGS, E.2.8 and E.2.9

- a) Ownership of at least one (1) share of the capital stock of the **Corporation** at the time of his election;⁴
- b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business;
- c) Relevant qualification, such as previous business experience, membership in good standing in a relevant industry, and membership in business or professional organizations⁵;
- d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;

1.7 Permanent Disqualifications

The following may be considered as grounds for the permanent disqualifications of a Director:

- a) Conviction by final judgment or order by a competent judicial or administrative body of any crime or violation punishable under the Securities Regulation Code (SRC), the **Revised** Corporation Code or any other law administered by the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation promulgated by the SEC or BSP, resulting in any of the grounds for the disqualification of a Director under the Corporate Governance Code for PLCs;
- b) Conviction by final judgment or order by a court, or competent administrative body of an offense involving turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- c) Judicial declaration of insolvency;
- d) Conviction 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 enumerated previously;
- e) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the **Revised** Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- f) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged
 - i) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation, or
 - ii) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) or 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

⁴ Corporation Code, Sec. 23.

⁵ CG Code, Article 3.D) (iii)

- iii) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote that he is the nominee of any person set forth in (h.1) or (h.2).

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

- j) **Being found administratively liable for any offense involving fraudulent acts.**
- k) **Having willfully and knowingly voted or consented to patently unlawful acts of the Corporation, having been found guilty of gross negligence or bad faith in directing the affairs of the Corporation, or having acquired any personal or pecuniary interest in conflict with his duty as director of the Corporation.**
- l) Other grounds as the SEC may provide.

1.8 Temporary Disqualification of Directors

The following are grounds for the temporary disqualification of incumbent Directors:

- a) Refusal to fully disclose the extent of his business interest as required under SRC and its Implementing Rules and Regulations (IRR),
- b) Absence in more than seventy five percent (75%) of all regular and special meetings of the Board during his incumbency unless the absence is due to illness, death in the immediate family or serious accident.⁶ The Director(s) concerned shall not be eligible for re-election in the succeeding election.
- c) Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- d) Being under preventive suspension by the Corporation for any reason.
- e) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- f) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

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.⁷

1.9 Leadership

Chairman of the Board. The Chairman shall preside at all meetings of the Board and of the stockholders, exercise the powers given to him in the By-Laws and Board Charter, and perform

⁶ Board Charter, Section 5.3.

⁷ SEC Revised Code of Corporate Governance, Article 3.1.

the duties enumerated under the Corporate Governance Code for PLCs as well as such other responsibilities as the Board may impose upon him.

Vice-Chairman of the Board. In the absence of the Chairman, the Vice-Chairman shall preside at the meetings of the Board and stockholders.

1.10 Independent Directors

The Board shall have at least three (3) Independent Directors or such number as may be required by law.

Independent Directors shall hold no interest or relationship with the Corporation that may hinder their independence from the Corporation or Management and interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

An independent director shall submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Corporation, Management or controlling shareholder at the time of his election or appointment and/or re-election as a director.

The Corporation shall, as appropriate, provide Independent Directors with technical support staff to assist them in performing their duties for committees. Independent Directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform their duties. The Corporation shall cover the reasonable expenses of providing such support.

An Independent Director, under Philippine law and the rules of the SEC and the PSE, is one who:⁸

- a. Is not, or has not been a senior officer or employee of the corporation unless there has been a change in the controlling ownership of the company.
- b. Is not, and has not been in the three years immediately preceding the election, a director of the corporation; a director, officer, employee of the corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the corporation's substantial shareholders and its related companies;
- c. Has not been appointed in the corporation, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the corporation, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial shareholder of the corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of the corporation or any of its related companies;
- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among other, a director, officer,

⁸ SEC Memorandum No. 19, series of 2016, Recommendation 5.2

principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

- h. Is not retained, either in his personal capacity or through a firm, as a professional advisor, auditor, consultant, agent or counsel of the corporation, any of its related companies or substantial shareholder, or is otherwise independent of management and free from any business or other relationship within the three years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- j. Is not affiliated with any non-profit organization that receives significant funding from the corporation or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the corporation's executives serve as directors.
- l. Has not engaged and does not engage in any transaction with the Corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms' length and are immaterial or insignificant.⁹

The types of transaction or affiliation under paragraph (f) above which disqualify one from becoming an Independent Director include:

- l.1) personal service contracts with the Corporation, or any of its related companies, or its senior management;
- l.2) being affiliated with a significant customer or supplier of the Corporation or any of its related companies. For this purpose, a person shall be deemed to be affiliated with a party if such person (a) has a direct or indirect ownership interest in, or (b) is employed by such party;
- l.3) being affiliated with a non-profit organization that receives significant funding from the Corporation, or any of its related companies;
- l.4) being a member of the immediate family of an individual who is, or has been during the past five years, employed by the Corporation or any of its related companies as an executive officer; or
- l.5) being affiliated with or employed by a present or former auditor of the Corporation, or any of its related companies in the past five years has been.¹⁰

An Independent Director shall be disqualified during his tenure under the following instances or causes:

- a) He becomes an officer or employee of the Corporation or becomes any of the persons enumerated above;
- b) His beneficial security ownership in the Corporation or in its related companies exceeds two percent (2%)¹¹, which case the Corporation shall forthwith cease to consider him as an Independent Director until his beneficial security ownership is reduced to two percent (2%) or lower.

⁹ Rule 38.2 of the Securities Regulation Code

¹⁰ National Association of Securities Dealers Automated Quotations (NASDAQ) Rule 4200, a(15)

¹¹ Rule 38.6.2.2 of the Securities Regulation Code

- c) He fails to meet the attendance requirement as set forth in Section 5.3 of the Board Charter.

1.11 Term Limit of Independent Directors

An Independent Director, after serving for nine (9) years, shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as a non-Independent Director in the Corporation and as an Independent Director in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the SEC. In case the Corporation wants to retain an Independent Director who has served for nine (9) years already, the Board should provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.¹²

1.12 Lead Independent Director

A Lead Independent Director shall be appointed if the Chairman of the Board is not independent from Management, such as when the positions of the Chairman of the Board and the CEO are held by one person. The Lead Independent Director shall, among others:

- a) Intermediate between the Chairman of the Board and the other Directors, if and when needed;
- b) Convene and chair the periodic meetings of the Non-Executive Directors with the external auditor and head of internal audit, compliance and risk, as may be needed; and
- c) Contribute to the performance evaluation of the Chairman of the Board.

1.13 Training

All new Directors of the Corporation shall undergo at the minimum an eight-hour orientation program on the Corporation's business and corporate structure, vision and mission, corporate strategy, Governance Codes and Policies, Articles, By-Laws, this Manual, the Charters, the SEC-mandated topics on governance matters and other matters essential for the effective performance of their duties and responsibilities.

Directors shall also attend a four-hour annual continuing training program, including courses on corporate governance at least once a year.

Directors are encouraged to assess their own training and development needs for the continuing training program.

1.14 Board Meetings and Quorum Requirements

- a) All the members of the Board, including Independent Directors, should attend and actively participate in all meeting of the Board, Committees, and Shareholders in person or through tele-/videoconferencing 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. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.¹³
- b) The Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings. However, the absence of an Independent Director, however, shall not affect the quorum requirement if he is duly notified of the meeting but notwithstanding such notice fails to attend.

¹² SEC Memorandum No. 19, series of 2016, Recommendation 5.3

¹³ SEC Memorandum Circular No. 19, Series of 2016, Principle 4, Recommendation 4.1.

- c) The Board shall meet at least six (6) times each calendar year, **scheduled in advance**.¹⁴ It shall hold a meeting before the start of the financial year,¹⁵ immediately after the annual meeting of the stockholders, at least once every quarter, and on such other days that it may designate.

It may be convened in special meeting by the Chairman or at least the request of three (3) Directors.

- d) Two-thirds (2/3) of the number of Directors as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business.¹⁶
- e) Non-executive Directors shall 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 proper checks and balances are in place within the corporation. Meetings shall be chaired by the lead Independent Director.¹⁷

1.15 General Responsibility of the Board for Good Governance

The Board shall perform all the functions provided under the By-Laws as well as the Board Charter and shall:

- a) Adopt and continuously review, monitor the implementation of the corporate strategy;
- b) **Determine the period, manner and conditions under which the corporation shall engage in the kinds of business comprised in Article II of the Articles of Incorporation;**
- c) Review vision and mission statement of the Corporation every year;
- d) **Determine the manner in which the corporate capital shall be invested subject to the provisions of Article II of the By-Laws;**
- e) Make rules for the internal regulation of the Corporation and ensure compliance with all relevant laws, regulations and as far as possible, best business practices;
- f) **Appoint Attorneys-in-Fact and Legal Counsel for the Corporation, and fix their duties and powers;**
- g) **Determine the creation of branches, agencies, and office departments for any class, under the conditions it may deem convenient;**
- h) **Decide as to the safekeeping of the funds of the Corporation, open current accounts, fixed deposit accounts and savings accounts with any bank authorized to operate in the Philippines and/or abroad;**
- i) **Fix annual the percentage to be written off on all capital expenditures of the corporation, such as buildings, furniture and fixtures, etc. and determine the distribution of profits and dividends;**
- j) **Submit annually to the regular General Meeting of Stockholders the Balance Sheet, Profit and Loss Statement and Annual Report on the condition of the Corporation;**
- k) **Call special meetings;**

¹⁴ ACGS, E.3.2 and Board Charter Section 5.1.

¹⁵ ACGS, E.3.1

¹⁶ ACGS, E.3.4

¹⁷ SEC Memorandum No. 19, series of 2016, Recommendation 5.27

- l) **Authorize any other person or persons it may deem fit, aside from the members of the Executive Committee, to purchase, sell, or mortgage the real or personal properties of the Corporation;**
- m) **Authorize any other person or persons it may deem fit, aside from the member of the Executive Committee, to cancel mortgages or pledges, executed as securities for loans and bonds when the mortgage have been repaid to the Corporation and when the bonds have been cancelled;**
- n) **Determine the time and manner of issuance of unissued stocks of the Corporation;**
- o) **Determine the manner and conditions under which employees of the Corporation shall be granted pensions, retirements, gratuity or life insurance protection;**
- p) **Institute, maintain, defend compromise or drop any litigation in which the Corporation or its officers may be interest in as plaintiff or defendant, in connection with the business of the Corporation, and grant extension of time for the payment or settlement of any indebtedness in favor of the Corporation;**
- q) **Settle any doubts that may arise relative to the interpretation of these By-Laws and supply and omissions, reporting thereon to the stockholders' General Meeting for such action as it may see fit to take;**
- r) **Approve operation and capital budgets, declaration of cash dividends, creation of reserves and reimbursement of profits; unbudgeted capital expenditure in excess of a determined amount, transactions that will result to a short to long term obligation or contingent liability of a minimum specified amount, and long-term marketing, purchasing and lease contracts;**
- s) Oversee the development of, review and approve the Corporation's business objectives and strategy and monitor their implementation to sustain its long-term viability and strength;
- t) Establish Board Committees deemed necessary in running the affairs of the Corporation, which will have their respective Charters providing their purposes, structures, operations, reporting processes and performance standards;
- u) Select, appoint and assess the performance of the President, CEO, Chief Operating Officer (COO), and other senior officers including Chief Finance Office, Chief Risk Officer, Corporate Secretary, Compliance Officer and Chief Audit Executive in accordance with the process and criteria set in the Corporate Governance and Nomination Committee Charter;
- v) Adopt a professional development program for employees and officers, and an effective succession planning for Directors, key officers, and management in the Corporation in accordance with the criteria set in the Corporate Governance and Nomination Committee Charter;
- w) Establish an effective performance management framework to align Management's performance with the standards and criteria set by the Board and Senior Management;
- x) Formulate and adopt a policy for the Board's and key officers' compensation programs aligned with work required and performance against business plans;
- y) Provide sound written policies and strategic guidelines on key capital expenditures, and periodically evaluate and monitor implementation of such strategies;
- z) Formulate a clear communication and disclosure policy and strategy to accurately, promptly, regularly and effectively communicate with the SEC, the Philippine Stock

Exchange (PSE) and the Corporation's stockholders and other stakeholders and oversee the proper and effective implementation thereof;

- aa) Adopt a system of internal checks and balances within the Board and the Corporation for monitoring and managing potential conflicts of interest of the Management, the Board members and shareholders, that shall be regularly reviewed and updated to maintain its adequacy and effectiveness, and in this connection, approve the Internal Audit Charter;
- bb) Ensure that there is sound Enterprise Risk Management (ERM) framework to identify and monitor key risks and key performance areas, and endeavor to provide appropriate technology and systems for the proper identification and monitoring thereof;
- cc) Formulate and implement policies and procedures that would ensure the integrity, transparency and would guarantee fairness of related party transactions including other unusual or infrequently occurring transaction exceeding thresholds of materiality between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and Directors, including their spouses, children and dependent siblings and parents, and that of interlocking director relationships by members of the Board;
- dd) Establish and make available an alternative dispute resolution mechanism in the Corporation through which intra-corporate disputes may be amicably settled;
- ee) Create an internal self-rating system for the annual performance self-assessment of the Chairman of the Board, the individual Directors, the board committees, the CEO, President and COO and other key management officials in accordance with the process and criteria laid down in the Board Charter, and in line with the Corporation's plans and objectives;
- ff) Develop a formal and transparent policy for nomination and election of Directors;
- gg) Cause the Corporation to participate in the Corporate Governance Survey using the ASEAN Corporate Governance Scorecard;
- hh) Be responsible for financial reporting and control, and in this connection, shall:
 - i. Provide to all stockholders and other stakeholders relevant and timely information about the Corporation, including but not limited to a semestral report and an annual report of the Corporation's performance, position and prospects through publicly available reports submitted to the SEC;
 - ii. 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;
 - iii. Explain its responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
 - iv. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
 - v. Maintain a sound system of internal control to safeguard stockholders' and other stakeholders' investment and the Corporation's assets;
 - vi. Ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls within the Corporation;

- vii. Require the Chief Audit Executive to render to the Audit Committee an annual report on the Internal Audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- ii) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;
- jj) Create a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Corporation's expense, which expense shall be reasonable;
- kk) Create and design a Code of Conduct with an anti-corruption policy and programs suitable to the needs of the Corporation and ensure proper and efficient implementation and monitoring of compliance with the Code, including providing appropriate orientation and training to the Board, senior management and employees;
- ll) Establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation, and to have direct access to a unit created to handle whistleblowing concerns and ensure its enforcement;
- mm) Adopt a globally-recognized standard or framework in reporting sustainability and non-financial issues such as economic, environmental, social and governance issues of the Corporation's business; and
- nn) Establish policies, programs and procedures covering, among others, the following; (1) health, safety and welfare; (2) training and development; and (3) reward/compensation, that will encourage employees to actively participate in the realization of the Corporation's goals and in its governance.

1.16 Specific Duties and Responsibilities of each Director

In addition to the duties and responsibilities of a Director set forth in the Corporation's By-Laws and existing relevant statutes, a Director shall:

- a) Be worthy of trust and confidence. He should act in the best interest of the Corporation, the stockholders and other stakeholders in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress over the long term.¹⁸
- b) Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. He should observe the conflict of interest policy stated in this Manual.
- c) Abstain from taking part in deliberations for transactions where he has a material interest in;
- d) Devote time and attention necessary to properly discharge his duties and responsibilities. A director should attend and actively participate in all meetings of the Board, the Board Committees where he is a member of, and the shareholders, except when prevented by justifiable causes,

¹⁸ SEC Model.

- e) Act judiciously on a fully informed basis, in good faith and with due diligence and care. Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek clarifications as appropriate.
- f) Exercise independent judgment. A director should view each problem or situation objectively and support plans and ideas which he believes are beneficial to the Corporation.
- g) Have a working knowledge of the statutory and regulatory requirements affecting the Corporation. This includes a firm knowledge of the contents of the articles of incorporation and by-laws of the Corporation and the amendments thereof, the requirements of the SEC for the conduct of the Corporation's business, and where applicable, the requirements of other regulatory agencies.
- h) Observe confidentiality. A director shall observe the confidentiality of non-public information acquired by reason of his position as a director. He should not disclose any information to any other person without the authority of the Board.
- i) Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Corporation.
- j) Orientation and Continuing Education Programs for Directors. Prior to assuming office, all new Directors shall undergo at the minimum an eight-hour orientation program on the Corporation's business and corporate structure, its vision, mission and corporate strategy, the By-laws, this Manual, the Charters, the SEC-mandated topics on corporate governance and other relevant matters essential for the effective performance of their duties and responsibilities.¹⁹ Directors shall likewise attend at least once a year, a four-hour annual continuing training program involving courses on corporate governance.²⁰
- k) Notify the Board, through the Corporate Secretary, before accepting a directorship on another Corporation.²¹
- l) Annual performance assessment of the Board. The board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator. Criteria and process to determine the performance of the Board, the individual directors, committees are stated in the Board Charter.

1.17 Liability of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Corporation or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Corporation, its stockholders and other stakeholders.

When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.²²

1.18 Performance Assessment

¹⁹ ACGS, E.5.1.

²⁰ SEC Memorandum Circular No. 20, series of 2013

²¹ SEC Memorandum Circular No. 19, series of 2016, Recommendation 4.3

²² Corporation Code, Section 31.

The Board shall undergo a formal assessment process annually whereby each Director will complete a questionnaire relating to the role, composition, processes, practices and behavior of the Board, its members, the Chairman and the Committees. Responses to the questionnaires are confidential and provided to the Compliance Officer, who shall report the aggregated results to the Board during the meeting immediately following the end of the assessment process.

The performance assessment shall be conducted by an independent third-party consultant every three years.

1.19 Remuneration and Liability Insurance Coverage of Directors

Directors shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for their services as Directors. The level of compensation should be commensurate to the Corporation's size and scope.

In no case shall the total compensation of such Directors exceed five percent (5%) of the net income before tax of the Corporation during the preceding year.

No Director shall be involved in deciding its own remuneration during his incumbent term.

To ensure effectiveness of holding Directors accountable and to attract competent persons as Directors, the Corporation may purchase at its own expense liability insurance coverage for its Directors.

1.20 Support from Key Officer

In performing its duties, the Board shall be assisted by the Corporate Secretary and the Compliance Officer, both of whom should not be members of the Board of Directors and should annually attend a training on corporate governance.

- a) **Corporate Secretary. The Corporate Secretary shall be a resident and citizen of the Philippines and shall:**
- a.1) 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;
 - a.2) Safekeep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
 - a.3) Keep abreast on 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;
 - a.4) Work fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;
 - a.5) Advise on the establishment of board committees and their terms of reference;
 - a.6) Inform members of the Board, in accordance with the By-Laws, of the agenda of the 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;

- a.7) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- a.8) Perform required administrative functions;
- a.9) Oversee the drafting of the By-Laws, **as may be needed** and ensure that the **provisions thereof** conform with regulatory requirements; and
- a.10) perform such other duties and responsibilities as may be provided by the SEC, and as the Board may impose upon him.

The Board shall have separate and independent access to the Corporate Secretary.

- b) Compliance Officer. The Compliance Officer, who shall have a rank of Senior Vice President or equivalent position with sufficient stature, shall:
 - b.1) Ensure proper onboarding of new directors (i.e. orientation on the company's business, charter, articles of incorporation and by-laws, among others);
 - b.2) Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, the CG Code for PLCs rules and regulations and all governance issuances of regulatory agencies;
 - b.3) Report to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
 - b.4) Ensure the integrity and accuracy of all documentary submissions to regulators;
 - b.5) Appear before the SEC when summoned in relation to compliance with the CG Code for PLCs;
 - b.6) Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
 - b.7) **Aid in the review of the Corporation's transactions and identify any potential material Related Party Transactions (RPT) that would require review by the Board and ensure that the Corporation's RPT policy is kept updated and is properly implemented;**
 - b.8) Issue annually an Integrated Annual Corporate Governance Report (I-ACGR) that is duly signed by the Chairman and Chief Executive Officer, the President and Chief Operating Officer, **all Independent Directors of the Corporation, Compliance Officer and Corporate Secretary;**
 - b.9) Identify possible areas of compliance issues and works towards the resolution of the same;
 - b.10) Ensure the attendance of board members and key officers to relevant trainings; and
 - b.11) Perform such other duties and responsibilities as may be provided by the SEC.

2. Board Committees

The Board currently has the following Committees to aid and support it in the effective performance of its functions:

2.1 Executive Committee

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws. The Committee shall be composed of not less than three (3) members, a majority of whom shall be citizens of the Philippines, and shall designate one of such members as Chairman of the Executive Committee.

2.2 Corporate Governance and Nomination Committee

The Committee shall install and maintain a process to ensure that all directors to be nominated for election at the next annual stockholders' meeting have the qualifications and none of the disqualifications of Directors. The Committee is also tasked with overseeing the implementation of the Corporation's corporate governance framework and periodic review of the said framework to ensure that it remains timely and appropriate. The Committee shall be composed of at least three (3) members, **majority of whom shall be Independent Directors, to be appointed by the Board. The Board from time to time may increase the membership of the Committee, and appoint members therein, all of whom shall be members of the Board. The Board may include non-directors as advisors to the Committee, who shall have no voting rights. The Board shall designate one (1) member of the Committee, who must be an Independent Director, as its Chairman.**

2.3 Personnel and Compensation Committee

The Committee shall establish a formal and transparent procedure for developing a policy on **director** and executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment. The Committee shall be composed of at least three (3) members, **majority** of whom shall be an independent director. The Board shall designate one (1) member of the Committee, who must be an Independent Director, as its Chairman.

2.4 Audit and Risk Committee

The Committee, through the provision of checks and balances, shall bring positive results in supervising and supporting the management of the corporation. It shall check all financial reports against its compliance with pertinent accounting standards, including regulatory requirements, and perform oversight financial management functions, including risk management activities. The Committee shall be composed of at least three (3) members, **all** of whom shall be Independent Directors. An Independent Director shall chair the Committee. The Chairman should not be the Chairman of the Board or of any other committees.

2.5 Finance Committee

The Committee shall oversee the Corporation's capital structure strategies as well as its treasury activities. The Committee shall be composed of at least three (3) members, majority of whom shall be existing Board members. The Board shall have the authority at any time to remove individuals from the Committee. The Chairpersons of the Audit Committee and the Finance Committee shall not sit as members of both committees.

2.6 Related Party Transactions Committee

The Committee shall review all material related party transactions of the Corporation. The Board shall appoint at least three (3) non-executive directors, **majority** of whom shall be independent, including the Chairman.

All the Board Committees have their own Charters stating their respective purposes, memberships, structures, operations and processes, provided in the Corporations official website.

ARTICLE III

MANAGEMENT

1. General Responsibilities of Management

- a) Management stands as the locus of decision-making for the day-to-day affairs of the Corporation. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by formulating the basic strategies for achieving these targets.²³ It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: i) purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Corporation; ii) useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach; iii) information systems that are defined and aligned with information technology strategy and the business goals of the Corporation; iv) a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.
- b) Management is primarily accountable to the Board of Directors for the operations of the Corporation. As part of its accountability, it shall inform the Board regularly, promptly and comprehensively about any issues concerning the Corporation's strategy, risk management and compliance.²⁴ Management shall likewise regularly update the Board of the implementation of the Corporation's strategy and explain variances from the approved plans and targets.
- c) Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
 - c.1) The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
 - c.2) An effective system of internal control that will ensure integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders should be maintained;
 - c.3) On the basis of the approved audit plans, internal audit examination should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the corporation's governance, operations and information systems, including the reliability and integrity of financial and operations information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules, and regulations;

²³ Berlin Initiative German Code of Corporate Governance.

²⁴ SEC Memorandum Circular No. 2, Series of 2002

- c.4) The Corporation should consistently comply with the financial reporting requirements of the Commission;
- c.5) The external auditor should be rotated or changed every five (5) years or earlier, or the signing partners of the external auditing firm assigned to the Corporation.

2. Executive Officers of the Corporation

The Chief Executive Officer, the Chief Operating Officer, the President, the Executive Vice Presidents, the Senior Vice President, the Treasurer, the Assistant Treasurers, **the Compliance Officer** and the Secretary and the Assistant Secretaries are officers of the Corporation.²⁵

The roles of the Chairman and the Chief Executive Officer (“CEO”) shall be separate to foster an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making. A clear delineation of functions between the Chairman and CEO are included in this Manual.

a) CEO

The Chief Executive Officer (CEO) shall have the following responsibilities:

- i. Determine the corporation’s strategic direction and formulates its strategic plan on the direction of the business;
- ii. Communicate and implement the corporation’s vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- iii. Provide the Board with timely information and interfaces between the Board and the employees;
- iv. Has good working knowledge of the Corporation’s industry and market and keeps up-to-date with its core business purpose;
- v. Direct, evaluate and guide the work of the key officers of the corporation;
- . Serves as the link between internal operations and external stakeholders.

b) President

Subject to other responsibilities that the Board may impose upon him, the President shall:

- i. **Have general supervision of the business, affairs and property of the Corporation, and over its several officers and employees;**
- ii. **See to it that all orders and resolutions of the Board are carried into effect**
- iii. **Submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs; and**
- iv. **Report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to its notice.**

²⁵ By-Laws, Article VI.

v. Build the corporate culture and motivates the employees of the corporation;

c) Chief Operating Officer (COO)

Subject to other responsibilities that the Board may impose upon him, the COO shall:

i. Ensures the development and achievement of the company's global operational goals and objectives as well as monitors the company's performance against periodic metrics that enables rigorous assessment of productivity, quality and cost;

ii. Be responsible for managing the day-to-day administration and operations of the company and driving a "continuous improvement" mentality;

iii. Implements effective and efficient processes by ensuring that infrastructure, systems, operational controls, policies and processes are in place to support day-to-day operational needs as well as long term goals;

iv. Partners with senior leadership and management teams to develop forward-looking company strategies and builds the culture of accountability, execution and transparency and good governance.

d) The Treasurer

The Treasurer of the Corporation shall have charge of the funds, securities, receipts and disbursements of the Corporation. He shall have the following functions:

i. Deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in Board-designated banks, trust companies, bankers or other depositories;

ii. Regularly and at least every quarter render to the President or to the Board an account of the fund condition of the Corporation and of all his transactions as such;

iii. Ensure fund availability on a timely and economical basis;

iv. Optimize yields in temporary excess funds;

v. Provide relevant and timely capital market information; and

vi. Ensure appropriate coverage and management of risk to resources.

The Treasurer shall have such other responsibilities as the Board of Directors may impose upon him.

e) Chief Finance Officer (CFO)

The CFO shall be the appointed by the Board of Directors. The CFO shall be responsible for the following acts:

i. Provide Management with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;

- ii. Maintain the integrity of accounting records as the basis of financial statements and reports provided to Management for decision-making and to government regulatory bodies in compliance with statutory requirements;
- iii. Promote investor confidence in the Corporation by addressing the various information requirements of the investing public and ensuring that all other legal reportorial obligations to various entities are complied with;
- iv. Strengthen Internal Control by monitoring compliance with policies; recommend to Management appropriate actions and changes in systems and procedures as necessitated by circumstances.

The CFO shall have such other responsibilities as the Board of Directors may impose upon him.

3. **Training**

Key officers of the Corporation shall attend a four-hour annual continuing training program, including courses on corporate governance and on other relevant areas as determined from training and development needs assessment.

ARTICLE IV

GOVERNANCE POLICY ON CONFLICT OF INTEREST

Directors, officers and employees shall always advance the interest of the Corporation over their personal interests. They are required to be loyal to the Corporation so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. They must promote the common interest of all shareholders and other stakeholders and the Corporation without regard to their own personal interests.²⁶

- a) A conflict of interest exists when a director or an officer of the Corporation –
 - i. supplies or is attempting or applying to supply goods or services to the Corporation;
 - ii. supplies or is attempting to supply goods, services or information to an entity in competition with the Corporation;
 - iii. acquires or is attempting to acquire for himself a business opportunity which should belong to the Corporation;
 - iv. accepts gifts or invitations of any form from the supplier, customer or business partner of the Corporation, or from any third person or entity with existing or intended business dealings with Corporation, except when the gift or invitation is directly attributable to purely familial or personal relationships, only of nominal value, or simple promotional item or is part of the supplier's public relations program or part of business meetings or discussions;
 - v. Engages in a business or activity which competes with or works contrary to the best interests of the Corporation.
 - vi. Uses material company information of which they may have knowledge and/or access by reason of their office in, or employment with, the Corporation to their

²⁶ Canlas, Handbook on Stock, Stockholders and Directors

personal advantage or the advantage of any third party to the prejudice of the Corporation;

- b) If an actual or potential conflict of interest should arise on the part of Directors, the concerned Director shall not participate in the discussion of, and vote on, the matter where he is in conflict of interest.²⁷ 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.
- c) A contract of the Corporation with one or more of its directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present²⁸:
 - i. 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;
 - ii. the vote of such director was not necessary for the approval of the contract;
 - iii. the contract is fair and reasonable under the circumstances; and
 - iv. in case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two 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.

- d) 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.²⁹
- e) Director, officers and employees who have personal or pecuniary interest on any enterprise with which the Corporation has an existing or intended transaction shall fully disclose relevant facts of the situation to the Chairman of the Board in the case of the Directors, President and CEO, to the President in case of the Managing Directors, and to the Group Head and Unit Heads in the case of employees. All disclosures shall be submitted to the Managing Director for Human Resources. Any information disclosed under this rule shall be treated confidential except to the extent necessary to evaluate the situation and pre-empt the conflict of interest. The disclosure requirement provided above shall apply to transactions between the Corporation and any enterprise owned by, or in which there is pecuniary interest in the part of, any family or close personal relations of the Directors, officers and employees.
- f) When the gift does not fall under any of the conditions set under item a (iv) above, the Director, officer or employee concerned are encouraged to turn over the gift to HR for inclusion in the Corporation's Christmas party raffle;
- g) Directors, officers and employees must immediately report any offer or gift of any value given to them or their immediate family with a view to get favors or to influence business recommendations, proposals, or decisions affecting the Corporation or any of its

²⁷ ACGS, B.4.3.

²⁸ Corporation Code, Section 32.

²⁹ Corporation Code, Section 34.

related companies. The report shall be made to the Chairman of the Board in the case of the Directors, President and CEO, to the President in case of the Managing Directors, and to the Group Head and Unit Heads in the case of employees. All disclosures shall be submitted to the Managing Director for Human Resources;

- h) The foregoing is without prejudice to the Corporation's existing Code of Conduct and Ethics for Directors, officers and employees.

ARTICLE V

INTERNAL CONTROL SYSTEM

1. Internal Audit and Risk Management

INTERNAL AUDIT

- a) The Internal Audit Group shall provide independent and objective assurance and advisory services to the Corporation designed to add value and improve on the Corporation's operations. It shall provide the Board, Management, the stockholders and other stakeholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with.³⁰ It shall review, audit and report on, among other matters, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the 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.
- b) The Internal Audit Group shall perform its auditing functions faithfully by maintaining independence from the Management and controlling shareholders.
- c) The Internal Audit Group shall be headed by a Chief Audit Executive. The Chief Audit Executive shall preferably be a Certified Public Accountant and/or a Chief Internal Auditor and shall report to the Audit and Risk Committee of the Board of Directors.
- d) The Internal Auditors shall report that their activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing. Otherwise, the Chief Audit Executive shall disclose to the Board and the Management that it has not yet achieved full compliance with the standards for the professional practice of internal auditing.³¹
- e) The following are the functions of the internal audit, among others:
 - (i) 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;
 - (ii) Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
 - (iii) Performs consulting and advisory services related to governance and control as appropriate for the organization;

³⁰ SEC Memorandum Circular No. 6, Series of 2009, Article 3(H)(iii).

³¹ SEC Memorandum Circular No. 2, Series of 2002, Article IV (1)(f).

- (iv) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- (v) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- (vi) 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;
- (vii) Evaluates specific operations at the request of the Board or Management, as appropriate; and
- (viii) Monitors and evaluates governance processes.

RISK MANAGEMENT

The Corporation's CRO (Chief Risk Officer) shall design, implement and maintain an effective ERM framework and program for the Corporation's taking into account its size, risk profile, and complexity of operations. The Group Risk Management and Sustainability Unit shall support the CRO by formulating risk management strategies, developing tools and techniques for risk assessment, and monitoring and reporting on key and emerging risks.

2. External Audit

The Board, through the Audit and Risk Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented.

The external auditor and key engagement partners shall be rotated or changed in accordance with the requirements prescribed by applicable laws and regulations such as the rotation period.

The reason/s for the resignation, dismissal, 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 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, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

3. Related Party Transactions (RPT)

The Board, with the assistance of its Risk Management and Related Party Transactions Committee, has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of the Corporation's shareholders and other stakeholders. The Board shall provide guidance in the review, approval and disclosure of RPTs to ensure that they are at arm's length and the terms are fair in accordance with the Corporation's Policy on RPT.

4. Whistleblower Policy

The Corporation's Whistleblower Policy provides a formal mechanism and an avenue for Directors, officers, employees, suppliers, business partners, contractors and sub-contractors, and other third parties to raise concerns about a perceived wrongdoing, malpractice, or a risk involving the company. The policy likewise provides an assurance that a whistleblower will be protected from reprisals, harassment, or disciplinary action or victimization for whistleblowing.

The whistleblower may submit a written report directly to the Office of the Compliance Officer, or by email to imi-integrityhotline@global-imi.com, or through face-to-face meeting with any member of the IMI Ethics and Compliance Committee composed of one representative each from the Office of the General Counsel, Human Resource Department, Internal Audit, and Risk Management and Sustainability.

There is an established Investigation Committee and investigation process to look into reported violations of company policies, rules and regulations. All reports are treated in confidence and discussed with the Audit Committee who monitors resolution and closure of all reports.

ARTICLE VI

DISCLOSURE AND TRANSPARENCY

All material information about the corporation which could adversely affect its viability or the interest of the stockholders and other stakeholders **as well as other relevant information** shall be publicly and timely disclosed to investors, stakeholders **and other interested users through media and analysts' briefing or other means**. 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.³²

The Board shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submission to the SEC for the interest of its stockholders and other stakeholders. All Directors and officers shall be required to disclose or report to the Corporation any dealings in the Corporation's shares within three business days.

ARTICLE VII

COMMUNICATION AND INFORMATION

1. **Management's Responsibility for Information**

- a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:
 - a.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;
 - a.2) Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;

³² SEC Revised Code of Governance, Article 8.

- a.3) Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
 - a.4) Maintain a sound system of internal control to safeguard stockholders' and other stakeholders'³³ investment and the Corporation's assets;
 - a.5) Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
 - a.6) Require the Chief Audit Executive to render to the Audit and Risk Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit and Risk Committee of the Board. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.
- b) 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.

2. The Investor Relations Function

There shall be an Investor Relations Division within the Corporation, which shall be tasked with --

- i. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;
- ii. Formulation of a clear policy on communicating or relating relevant information to the Corporation's stockholders and other stakeholders³⁴ and to the broader investor community accurately, effectively and sufficiently;
- iii. **Setting up of an avenue to receive, feedback, complaints and queries from shareholders other than the annual stockholders meeting;**
- iv. Preparation of disclosure documents to the SEC and the Philippine Stock Exchange, and
- v. Dissemination of this Manual and the conduct of an orientation program for the Board and Management.

The Head of the Investor Relations Division shall be present at every stockholders' meeting.

The Investor Relations Division shall report to the CFO who shall act as the Chief Information Officer of the Corporation for purposes of reporting and disclosures to the Commission and PSE.

³³ SEC Memorandum Circular No. 9, series of 2014.

³⁴ SEC Memorandum Circular No. 9, series of 2014.

3. Communication of this Manual

This Manual shall be submitted to and made available at the Commission. It shall also be available for inspection by any stockholder and other stakeholders of the Corporation at its principal office during reasonable hours on a business day.

ARTICLE VIII

SHAREHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

1. Shareholders' Rights

The Board shall promote shareholders' rights, remove impediments to the exercise of shareholders' rights and provide effective 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.

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

a) Voting Rights

All shareholders, including minority shareholders, have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the **Revised** Corporation Code.

A shareholder may submit written nominations to the Corporate Governance and Nomination Committee at least thirty (30) business days before the next annual meeting of the stockholders. Nominees will be evaluated by the Corporate Governance and Nomination Committee which shall determine whether the nominees have all the qualifications and none of the disqualifications to serve as member of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the Corporation's website for examination by the stockholders.

The Corporation shall allow voting **in person, through remote communication**, in absentia, **or for the stockholder to be represented by proxy at any regular or special stockholders' meetings, subject to compliance with rules and regulations as may be issued by the SEC from time to time. Stockholders casting votes through remote communication or absentia, electronically or otherwise, shall be deemed present for purpose of determining existence of a quorum.**

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of Directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

b) Pre-emptive Right

All stockholders have pre-emptive rights, unless there is a specific denial of this right 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 may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Revised Corporation Code.

c) Right of Inspection

Shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries, in accordance with the Revised Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

d) **Right to Information**

Upon request, and for a legitimate purpose, a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of Directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the SEC.

The Board shall ensure that Notice of Annual and Special Stockholders' meetings shall be sent to all shareholders at least twenty eight (28) days before the meeting. It shall also make the result of the votes taken during the most recent Annual or Special Stockholders' Meeting publicly available the next working day. Additionally, the Minutes of such meeting shall be available on the Corporation's website within five (5) business days from the end of the meeting.

The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, **subject to reasonable guidelines issued by the Board which are consistent with applicable laws, rules and regulations of the SEC, as may be amended from time to time.**

In accordance with existing law and jurisprudence, 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 should include such information provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

e) **Right to Dividends**

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

f) **Appraisal Right**

In accordance with the Revised Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

- f.1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder 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;
- f.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 **Revised** Corporation Code; and
- f.3) In case of merger or consolidation; and
- f.4) In case of investment of funds in any other corporation or business or for any purpose other than the primary purpose for which the Corporation was organized.

2. Duty of Directors to promote shareholders' rights

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

The Board should encourage active shareholder participation by:

- (i) Sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.
- (ii) By making the result of the votes 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 company website within five business days from the end of the meeting.

3. Alternative Dispute Resolution Mechanism

Any **dispute, controversy or claim between the Corporation and its stockholders arising from, relating to, or in connection with the implementation of the Articles of Incorporation or By-Laws, or from intra-corporate relations, except those involving criminal offenses and interests of third parties,** may be referred to and resolved by arbitration as provided under the Philippine Alternative Dispute Resolution Act of 2004.

The arbitration shall be conducted in accordance with the Arbitration Rules of the Philippine Dispute Resolution Center, Inc. of the Philippine Chamber of Commerce and Industry and **SEC Rules and Regulations** (the "Arbitration Rules") then in effect.

The place of arbitration shall be in Metro Manila and the language of arbitration shall be in English.

There shall be three (3) arbitrators (the "Arbitral Tribunal") to be appointed in accordance with the Arbitration Rules.

The parties shall be bound by the award rendered by the Arbitral Tribunal and confirmed by the appropriate Regional Trial Court.

Arbitration shall not be available for disputes involving claims in excess of One Million Pesos (PhP1,000,000.00) or involving the determination of the fair valuation of shares in appraisal proceedings.

ARTICLE IX

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The Corporation has been managing its business not only for profit but also keeping in mind its impact – to surrounding environment and people – society as a whole. The Corporation makes sure that its profit marries with a purpose. It focuses on both economic and social benefits – value creation for the communities and other stakeholders of the company. The Corporation embarks on sustainability programs that continuously create shared value (CSV), such as going beyond the usual corporate social responsibility (CSR) projects, its volunteerism and philanthropic projects.

As evidence of its faithful dedication to good governance and corporate social responsibility, the Corporation is implementing its Code of Conduct that focuses on various areas: Labor and

Ethics, Environment including greening the manufacturing and supply chain, Health and Safety, and Management System. This is to ensure that working conditions in the company are safe, that workers are treated with respect and dignity and that the manufacturing processes are environmentally and socially responsible. Moreover, the Corporation operates in full compliance with the laws, rules and regulations of the country in which it operates.

The Management shall make proper disclosure of the Corporation's management of the material economic, environmental, social and governance aspects of its businesses and activities in line with the guiding principles and content elements of the Integrated Reporting framework and the Global Reporting Initiative (GRI) Standards 2016.

ARTICLE X

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Corporation's Directors, officers, and employees, in case of violation of any of the provisions of this Manual:

1. In case of first violation, the subject person shall be reprimanded;
2. In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
3. For third violation, removal from office.

ARTICLE XI

EFFECTIVITY AND PERIODIC REVIEW OF THE CORPORATE GOVERNANCE MANUAL

EFFECTIVITY

This Corporate Governance Manual shall be effective upon submission to the SEC. It supersedes the previous Manual on Corporate Governance that was adopted by the Corporation on April 8, 2010 and was recently amended on **August 12, 2021**.

PERIOD REVIEW

This Corporate Governance Manual shall be reviewed periodically by the Corporate Governance and Nomination Committee (together with the other Board Committees, as necessary) and the Board will make appropriate changes based on recommendations from the Committee(s).

SIGNED:



JAIMÉ AUGUSTO ZOBEL DE AYALA
Chairman of the Board



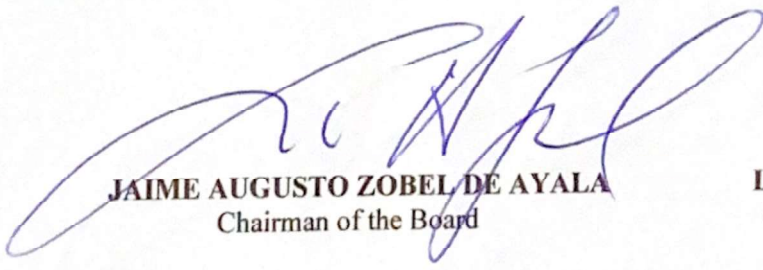
LAURICE S. DELA CRUZ
Chief Finance Officer (OIC)
And Compliance Officer

CERTIFICATION

We, **JAIME AUGUSTO ZOBEL DE AYALA** and **LAURICE S. DELA CRUZ**, Chairman of The Board and Chief Finance Officer (OIC) & Compliance Officer, respectively, of Integrated Micro-Electronics, Inc. (the "Corporation"), with SEC Registration Number 94419 and with principal office at North Science Avenue, Laguna Technopark-Special Processing Zone, Binan, Laguna, state under oath that:

- 1) On behalf of the Corporation, we have caused the Revised Corporate Governance Manual to be prepared and the same has been approved by the Corporation's Board of Directors;
- 2) We have read and understood its contents which are true and correct of my own personal knowledge and/or based on true records; and
- 3) The Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for the complete and official submission of reports and/or documents through electronic mail.

IN WITNESS WHEREOF, we have hereunto set our hands this AUG 24 2021 in Makati City.



JAIME AUGUSTO ZOBEL DE AYALA
 Chairman of the Board

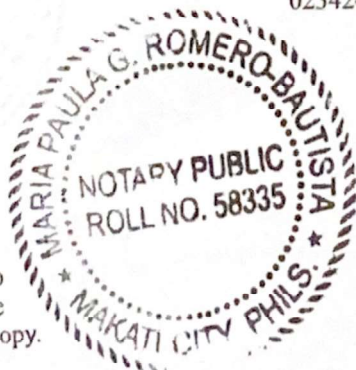


LAURICE S. DELA CRUZ
 Chief Finance Officer (OIC)
 & Compliance Officer

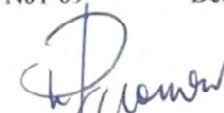
SUBSCRIBED AND SWORN to before me this AUG 24 2021 in Makati City, affiants exhibited to me, as competent evidence of their identities, to wit:

Name	Competent Evidence of Identity	Date /Place of issue
JAIME AUGUSTO ZOBEL DE AYALA	Passport Number P9640299A	November 20, 2028/DFA Manila
LAURICE S. DELA CRUZ	Driver's License No. N01-09-023424	December 19, 2022/LTO

Doc. No. 414 ;
 Page No. 84 ;
 Book No. XXVI ;
 Series of 2021.



Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.



MARIA PAULA G. ROMERO-BAUTISTA
 Notary Public - Makati City
 Appt. No. M-150 until December 31, 2021
 Roll of Attorneys No. 58335
 IBP No. 136251 - 12/21/2020 - Makati City
 PTR No. 8533980ME - 01/04/2021 - Makati City
 MCLE Compliance No. VI-0009490-06/20/2018
 4th Floor Tower One and Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines