



# REVISED CORPORATE GOVERNANCE MANUAL

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## 2022 REVISED CORPORATE GOVERNANCE MANUAL

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## **REVISED CORPORATE GOVERNANCE MANUAL**

### **I. INTRODUCTION**

Pursuant to its regulatory power as provided under Section 179(d) of Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, and further to promote the development of strong corporate governance culture, the Securities and Exchange Commission (SEC) executed SEC Memorandum Circular No. 24, Series of 2019 which is made applicable to registered corporations whose securities are listed on an Exchange.

Through its issuances, the SEC regulations required covered corporations to develop a Corporate Governance Manual which should embody the requirements of the Code. Accordingly, LT Group, Inc. (the “Company”) updated this Manual, in accordance with the principles of good corporate governance, and to reflect the changes required of the Code so as to achieve greater transparency and accountability in the conduct of its corporate business.

#### **A. Objectives of the Manual**

1. This Manual shall institutionalize the principles of good corporate governance and shall serve as a basic reference in implementing the principles thereof.
2. This Manual seeks to inform stockholders, board members, corporate officers, and employees of their duties and expected norms of conduct within the corporate system.
3. For best practices, this Manual shall serve as the guidelines or framework of all of the subsidiaries of the Company and to the extent possible, consistent with their own existing structures, should be adopted by the subsidiaries.

#### **B. Definitions**

1. Corporate Governance - The system of stewardship and control to guide the Company in fulfilling its long-term economic, moral, legal, and social obligation towards its stockholders. It is the system of direction, feedback, and control that shall use regulations, performance standards, and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior to the benefit of all stakeholders and society. Its purpose is to maximize the Company’s long-term success, creating sustainable value for its stockholders, stakeholders, and the nation.
2. Independent Director - An Independent Director shall have the meaning ascribed to it in Article III (I) of this Manual.

3. Executive Director - An Executive Director is one who has executive responsibility of day-to-day operations of a part or the whole of the Company.
4. Non-executive Director - A Non-executive Director is one who has no executive responsibility and does not perform any work related to the operations of the Company.
5. Related Party - Related Parties include:
  - (a) The Company's subsidiaries, affiliates, and special purpose affiliates;
  - (b) Any party that the Company exercises direct or indirect control over;
  - (c) Any party that exercises direct or indirect control over the Company;
  - (d) The Company's Directors, Officers, stockholders, and related interests ("DOSRI");
  - (e) Close family members of DOSRI;
  - (f) The corresponding persons under(c), (d), and (e) of affiliated companies; and
  - (g) Persons or juridical entities whose interest may pose a potential conflict of interest with the Company.
6. Related Party Transactions - Related Party Transactions involve the transfer of resources, services, or obligations between the Company and a related party, regardless of the price charged. This includes outstanding transactions entered into with an unrelated party that subsequently becomes a related party.

### **C. Administration of the Manual**

1. The Board of Directors shall designate a Compliance Officer, who shall be separate and distinct from the Corporate Secretary and shall possess all the qualifications set forth in Article VI (C) (4.1) of this Manual. Upon appointment, the name of the Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C.
2. The Compliance Officer shall be responsible for the administration of this Manual and shall ensure that:
  - 2.1. Principles and policies listed in this Manual are implemented and followed by stockholders, board members, corporate officers, managers, and staff;



- 2.2. Adequate copies are printed and distributed to enable users to know the details of their rights and obligations within the corporate system;
  - 2.3. Any revision and amendment to this Manual should be properly authorized, documented, and included in all copies of this Manual; and
  - 2.4. All disclosures and reports are posted in the Company's website, in coordination with the Corporate Secretary and the Investor Relations Officer.
3. The Compliance Officer shall identify and monitor the following:
- 3.1. Compliance with the rules and regulations of regulatory agencies, and take appropriate corrective measures to address all regulatory concerns and issues;
  - 3.2. The effectiveness of the corporate governance practices and recommend to the Board changes as needed;
  - 3.3. Compliance risks and seek ways to control the same; and
  - 3.4. Cases of non-compliance with the Manual. Should the non-compliance continue despite notice to the person perpetuating the same, the Compliance Officer shall, together with the Corporate Governance Committee, recommend to the Board after, proper notice and hearing, the imposable penalty for such violation, if any. The penalty recommended shall be subject to further review and approval of the Board of Directors.
4. The penalties prescribed hereunder shall be imposed:
- 7.1. First offense, reprimand.
  - 7.2. Second offense, suspension. The duration of suspension shall depend on the gravity of the violation.
  - 7.3. Third offense, recommended termination from office.

#### **D. Implementation and Compliance**

The following are guidelines to be observed in the implementation of the principles and policies as prescribed in the Manual:

1. Stockholders, board members, corporate officers, managers, and staff shall strictly adhere to the principles and policies of the Code of Corporate Governance;
2. The Compliance Officer shall ensure compliance of the Company with the Manual and periodically test compliance thereto; and



3. The Compliance Officer shall appear before the SEC when summoned in relation to compliance with the Manual.

**E. Procedures for the Amendment of the Manual**

1. Amendments to any portion of this Manual shall be approved by the Board of Directors upon the favorable endorsement of the Corporate Governance Committee. Upon approval, the Corporate Secretary shall prepare a corresponding memorandum effecting the proposed change and will see to it that all Members of the Board are furnished with copies of the amendment/s.
2. Pages containing the revised sections of the Manual will show the following:
  - 2.1. The revised sections, properly underlined; and
  - 2.2. The effectivity date of such amended or revised clause.
3. The Investor Relations Officer shall be responsible for posting the Revised Corporate Governance Manual in the Company website.

**F. Control Copy**

1. The Corporate Secretary shall have custody of the Manual to be used for control and final reference.
2. Notwithstanding its availability in the Company website, the Control Copy of the Manual shall be available for inspection by any stakeholder of the Company within reasonable business hours of regular working days provided a request is made in writing to the Corporate Secretary at least seven (7) business days prior to the intended inspection date.

## **II. GENERAL POLICIES**

**A. Corporate Code of Conduct**

LT Group, Inc. (the “Company”) is committed to observe a high standard of ethical conduct in all of its activities. Our business shall be governed by the following standards of behavior:

1. Integrity shall be the hallmark of our personal and official dealings, particularly in the discharge of our duties and responsibilities. We shall maintain the good reputation as the cornerstone of our individual and collective success.
2. Excellence shall be the by-product of our hard work, and service and profitability shall be the necessary consequence of said efforts.
3. We shall ensure that proper disclosures are made to inform all the stakeholders/ stockholders of the company in regard to activities, projects and business decisions that will redound to the benefit of the Company. Transparency shall be the norm in the management of the Company.



4. We shall keep the *trust* bestowed on us by the Company's stakeholders by managing faithfully and responsibly the resources entrusted to our stewardship. We shall welcome inquiries from stockholders/stakeholders on any management actions as provided under the rules.
5. We shall abide by, and practice all the principles of good corporate governance and embrace its demands which will actively contribute to the socio-economic development of the country.
6. We affirm our social responsibility to our employees and to the communities where we live and conduct our businesses. We shall always consider the environmental effect of our actions in our operating strategies and initiatives.

### III. THE BOARD OF DIRECTORS

#### A. Overview

The Members of the Board of Directors are elected during the Annual Stockholders' Meeting and it serves as the Company's highest governing body. It gives the direction and makes the necessary decision which the Company's management is mandated to follow and implement. It is guided by the powers and authorities vested in the By-Laws of the Company.

#### B. Basic Functional Description

1. It shall be the Board's responsibility to foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and in the best interests of its stockholders and other stakeholders.
2. The Board shall formulate the Company's vision, mission, strategic policies, programs, and procedures that shall sustain its long-term viability and strength, including the means to effectively monitor Management's performance periodically.
3. A Director's office is one of trust and confidence. He/she shall act in a manner characterized by honesty, integrity, transparency, accountability, and fairness.
4. Board members shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and the stockholders.
5. The Board shall treat everyone fairly.
6. The Board shall have a working knowledge of the statutory and regulatory requirements that affect the Company and ensure compliance with applicable laws, regulations, and codes of best practices, taking into account the interest of all stakeholders.



7. The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensive assessment of the Company'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 laws.

### **C. Orientation and Continuing Education Programs for Directors**

Prior to assuming office, all new directors shall be provided with materials to inform them of the operations of the Company and its subsidiaries. They shall be required to undergo orientation program which will enable them to be informed of the Company's business, corporate structure, vision, mission and all other matters necessary for the effective performance of their duties and responsibilities.

New directors shall likewise be required to undergo the annual training seminar on corporate governance even while the Corporate Secretary gives periodic updates on PSE/SEC Memorandum Circulars and other developments.

The Company further provides trainings/seminars regarding developments in Tax and policies which might or will affect the conduct of business. For this matter, the Company, in conjunction with its subsidiaries' resource persons or experts in their respective fields, conducts trainings or exposures in law, taxes, sustainability initiatives and economic impacts of governmental actions.

All Directors are encouraged to attend or join on-going or continuous professional education programmes via information or invitation delivered by or through the Corporate Secretary.

### **D. Duties and Responsibilities**

The Board shall have the following duties and responsibilities:

1. Implement a process for the selection of members of the Board (including Non-Executive Directors) and executive officers to ensure an effective mix of competent Directors and Officers;
2. Provide sound strategic policies and guidelines on major capital expenditures, and to periodically evaluate and monitor the implementation of such policies and guidelines;
3. Review, evaluate, monitor, and guide corporate strategy, major plans of actions, risk policy, annual budgets, and business plans periodically;
4. Ensure that the Company has good internal control and information management systems that can provide an accurate, timely, and clear financial picture. There should be a continuing review of the internal control system in order to maintain its adequacy and effectiveness;



5. Identify key risk areas and key performance indicators and make sure it is being managed properly;
6. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company;
7. Identify the stakeholders in the community in which the Company operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with said stakeholders;
8. Formulate, implement, monitor, and manage policies and procedures for purposes of ensuring the integrity and transparency of Related Party Transactions and potential conflicts of interest between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, management, Board Members, and stockholders, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
9. Exercise objective judgment on corporate affairs and be independent, in particular, from Management;
10. Keep the authority of the Board within the powers of the Company as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules, and regulations;
11. Convene meetings as may be necessary, with minutes of the meetings duly prepared by the Corporate Secretary. All Directors are expected to attend all Board meetings, unless absence is due to illness, death in the immediate family, or serious accident and absence will not affect quorum;
12. Ensure that the Company complies with all relevant laws, regulations, and best business practices;
13. Encourage as a matter of Company policy the resolution of intra-corporate disputes through alternative dispute resolution mechanisms as set forth in Article VIII of this Manual, without prejudice to the other remedies provided by law;
14. Each Board member is likewise expected to—
  - (a) Fulfill their responsibilities, have access to accurate, relevant, and timely information. They shall be given independent access to Management and the Corporate Secretary including independent professional advice at the Company's expense;
  - (b) Devote sufficient time to their responsibilities;
  - (c) Conduct fair business transactions with the Company and to ensure that personal interest does not bias Board decisions;
  - (d) Act judiciously;



- (e) Exercise independent judgment;
  - (f) Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;
  - (g) Observe confidentiality;
  - (h) Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and the stockholders;
  - (i) Ensure the continuing soundness, effectiveness, and adequacy of the Company's control environment; and
  - (j) Disclose or report to the Company any dealings in the Company's shares within five (5) business days.
15. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members, and committees for the previous year no later than 31 January of the succeeding year.
- 15.1 The annual Board assessment is intended to enable the Directors to thoroughly review their performance and understand their roles and responsibilities. As such, said assessment meeting shall discuss the following:
- (a) The performance of the following:
    - (i) the Board, as a body;
    - (i) the Board committees;
    - (i) the individual Directors; and
    - (iv) the Chairman.
  - (b) The assessment of any Director's attendance at Board and committee meetings, participation in boardroom discussions, and the manner of voting on material issues.

## **E. Compensation**

In accordance with Article VII of the By-Laws, the Directors, as such, shall not receive any stated salary for their services but by resolution of the Board, each Director may be compensated for attendance at any regular or special meeting of the Board, with a reasonable per diem.

## **F. Composition**

1. The Board of Directors of the Company shall consist of eleven (11) members or such other number as the corporate by laws may hereafter provide.



2. A majority of the Board shall consist of Non-Executive Directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

#### **G. BOARD DIVERSITY POLICY**

Committed to having a Board composed of qualified and dedicated directors who will have significant contribution to the Company's welfare, the Company, in designing the Board's composition, shall consider the following factors, which includes but shall not be limited to:

- a. Age;
- b. Gender;
- c. Race/Ethnicity;
- d. Cultural and educational background;
- e. Skills/professional background;
- f. Business experience;
- g. Competence;
- h. Knowledge;
- i. Possible contribution to the Board; and
- j. Expertise in the various fields involving finance, taxation, corporate governance, among others.

#### **H. Minimum Qualification Requirements**

Directors should have the following qualifications:

1. Holder of at least one thousand (1000) shares of stock of the Company;
2. Bachelor's degree or equivalent experience in managing the business as gained from the profession and/or industry;
3. At least twenty-one (21) years of age;
4. Proven to possess integrity and probity; and
5. Have attended an annual seminar on corporate governance with a duly accredited or recognized private or government institution and submitted a copy of his/her certificate of attendance to the Compliance Officer which seminar shall not be less than four (4) hours.

#### **I. Disqualifications**

1. The following are grounds for the permanent disqualification of a Director:
  - 1.1. No person shall be eligible for nomination or election to the Board of Directors if such person is engaged in any commercial venture or undertaking which is in competition with the business of the Company or any of its subsidiaries. For this purpose and unless the Board of Directors, in its reasonable exercise of discretion determines otherwise, a person shall be deemed to be so engaged where:
    - (a) He/She is a director, officer, or the record or beneficial owner of at least 10% of any outstanding shares of any



- other corporation or entity engaged in any line of business of the Company or any of its subsidiaries;
  - (b) He/She is a director, officer, or the record or beneficial owner of at least 10% of any outstanding shares of any other corporation or entity engaged in any line of business which the Board determines to be in competition with the business of the Company or any of its subsidiaries; or
  - (c) The Board, in the exercise of its judgment in good faith, determines that such person is a nominee of any person referred to in (a) or (b) above.
- 1.2. Any person convicted by final judgment or order by a competent juridical or administrative body of any crime that:
- (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code;
  - (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or flood broker; or
  - (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or an affiliated person or any of them.
- 1.3. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas ("BSP"), 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 flood broker;
  - (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; or
  - (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in the sub-paragraphs (a) and (b) or willfully violating the laws that govern securities and banking activities.
- 1.4. Any person who has been restrained to engage in any activity involving securities and banking;
- 1.5. Any person who is currently the subject of an effective order of the SEC or any court or any 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 SEC or BSP, or under any rule or regulation issued by the SEC or BSP;

- 1.6. Any person convicted by final judgment or order by a competent juridical or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or other fraudulent acts;
  - 1.7. Any person finally found guilty by the SEC or court or regulating bodies 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 SEC or BSP or any rule, regulation, or order issued by the SEC or BSP;
  - 1.8. Any person 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;
  - 1.9. Any person finally found guilty by foreign court or financial regulatory counterparts of the Philippines of acts, violations, or misconduct listed in the foregoing paragraphs;
  - 1.10. Any person judicially declared to be insolvent; and
  - 1.11. Any person finally convicted of an offense punishable by imprisonment of more than six (6) years, or violation of the Corporation Code, committed within five (5) years prior to the date of his/her election or appointment.
2. The following are grounds for the temporary disqualification of a director:
21. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12- month period during the said incumbency, unless the absence is due to illness, death in the immediate family, or serious accident. The disqualification shall apply for purposes of the succeeding election;
  22. 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 shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination; or
  23. If the beneficial equity ownership of an independent director in the Company 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.

**J. Limit on Directorship of Independent Directors (IDs) and Non-Executive Directors (NEDs)**

Independent Directors and Non-Executive Directors may concurrently serve as director of a maximum of five (5) publicly listed companies. Nevertheless, a director shall be obliged to notify the Board where he/she is an incumbent director before accepting a directorship in another company.

**K. Independent Directors**

**1. Definition and Composition**

- 1.1. An Independent Director is a person who is independent of Management and the controlling shareholder, and is free from any business or other relationships which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out the responsibilities of a director of the Company, and includes, among others, any person who:
  - (a) is not, or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Company;
  - (b) is not, or has not been in the two (2) years immediately preceding the election, a director of the Company; a director, officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial stockholders and its related companies;
  - (c) has not been appointed in the Company, its subsidiaries, associates, affiliates or related companies as Chairperson "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 two (2) years immediately preceding his election;
  - (d) is not an owner of more than two percent (2%) of the outstanding shares of the Company, its subsidiaries, associates, affiliates or related companies;
  - (e) is not related to any Director, Officer, or substantial shareholder of the Company or any of the related companies or substantial stockholders of the Company. 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 or substantial shareholder of the Company, and/or any of its related companies, and/or any of its related stockholders



pursuant to a Deed of Trust or under any contract or arrangement;

- (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, principal shareholder, 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 personally or through his/her firm or any similar entity, as a professional adviser, auditor, consultant, agent or counsel of the Company, or any of its related companies and/or any of its substantial stockholders, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- (i) has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial stockholders, whether by himself/herself and/or with other persons and/or through a firm of which he/she (or persons related to the same) is a partner and/or a company of which he/she (or persons related to the same) is a director or substantial shareholder, other than transactions which are conducted at arm’s length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;
- (j) is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial stockholders; and
- (k) is not employed as an executive officer from another company where any of the Company’s executives serve as Directors.

- 12. The Board shall have at least four (4) Independent Directors. The Independent Directors need not elect amongst themselves a Lead Independent Director for so long as the Management of the Company shall consist of less than ten (10) persons.

## 2. Term

- 2.1 An Independent Director shall serve for a maximum cumulative term of nine (9) years reckoned from the year 2012.



- 2.2 Except as otherwise provided in this Manual, an Independent Director who shall have served the maximum term shall be perpetually barred from re-election as such in the Company. Nothing, however, shall prevent said Independent Director from qualifying for nomination and election as a Non-Independent Director.
  - 2.3 By way of exception to the foregoing, an Independent Director who has served for more than nine (9) years may be re-nominated as such if:
    - (i) The Nomination Committee endorses such nomination on meritorious grounds; and
    - (ii) Approval of the stockholders is obtained during the Annual Stockholders' Meeting.
3. Nomination of an Independent Director
- 3.1. The nomination of an Independent Director shall be conducted by the Company's Nomination Committee prior to a stockholders' meeting. All recommendations for nomination shall be signed by the nominating stockholder together with the acceptance and conformity of the nominee. A list of all qualified nominees shall be prepared and presented to the Board for approval.
  - 3.2. The Nomination Committee shall prepare a list of all qualified nominees, and report the same to the Board of Directors for its approval.
  - 3.3. Upon the approval by the Board of Directors of the list of the qualified nominees, and, subject to the amendment of the corporate by laws, at least twenty eight (28) days before the annual meeting of the stockholders, a Final List of Candidates, containing all the information about the nominees for Independent Directors, shall be made available to the SEC and to all stockholders through the filing and distribution of an Information Statement, in accordance with the Securities Regulation Code, or in such other reports as the Company may be required to submit to the SEC.
  - 3.4. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nomination shall be entertained after the Final List of Candidates has been prepared. No further nomination shall be entertained or allowed on the floor during the actual stockholders' meeting.
  - 3.5. Any of the following persons shall likewise be disqualified from being nominated and elected as an Independent Director:
    - (i) An officer or employee of the Company where he/she shall be nominated and elected;





- (ii) Owners of more than two percent (2%) of the total outstanding proprietary membership of the Company and/or any of its substantial stockholders; and
- (iii) A director who has failed, without any justifiable cause, to attend at least fifty percent (50%) of the total number of Board meetings during his/her incumbency.

#### 4. Lead Independent Director

The appointment of a Lead Independent Director is to ensure that independent judgment is exercised by the Board of Directors, if the Chairman of the Board is not independent.

##### 4.1 Duties and Responsibilities

The Lead Independent Director shall exercise the following functions which includes, but is not limited to, the following:

- (i) Serve as an intermediary between the Chairman of the Board and the other Directors, when necessary;
- (ii) Convene and chair the meetings of the Non-Executive Directors (NEDs) and Independent Directors with the external auditor and the heads of internal audit, compliance, and risk management, as necessary; and
- (iii) Contribute to the performance evaluation of the Chairman.

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

1. The Board shall meet as and when necessary at such times and places as the Chairman of the Board, or in his absence, the President, may determine, or upon the request of the majority of the Board. Board members should attend regular and special board meetings in person. However, attendance of the Board members via teleconference/videoconference is allowed.
2. Unless otherwise provided in the By-laws of the Company, the absence of an Independent Director shall not affect the quorum requirement. To promote transparency, the Board may however require at least one Independent Director to be present in all Board meetings.

#### **M. Chairman of the Board**

1. The Chairman of the Board shall manage and provide leadership of the Board of Directors of the Company.
2. In addition to the functions set out in the corporate by laws, the Chairman shall:



- (a) Ensure that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
  - (b) Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
  - (c) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual Directors;
  - (d) Assure the availability of proper orientation for first-time Directors and continuing training for all Directors; and
  - (e) Cause the performance of the Board to be evaluated at least once a year and the results of such evaluation is discussed or followed up on.
- 3. To ensure strong, central leadership and increase efficiency, the Chairman of the Board shall concurrently sit as the Company's Chief Executive Officer ("CEO") who shall be responsible for leading the development and execution of the Company's long term strategy with a view to creating shareholder value.
- 4. For the avoidance of doubt, the CEO shall not form part of Management. The CEO shall:
  - (a) lead, in conjunction with the Board, the development of the Company's vision and strategy; and
  - (b) set the tone and position the Company's brand image.

**N. Vice Chairman of the Board**

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

**IV. THE BOARD COMMITTEES**

**A. Overview**

The Board of Directors shall create committees to aid in complying with the principles of good corporate governance and may, from time to time, create special committees to handle certain issues of concern to the Board.



## **B. Nomination and Remuneration Committee**

### **1. Composition and Qualifications**

The Nomination and Remuneration Committee shall be composed of at least three (3) members, one (1) of whom shall be an Independent Director who shall have knowledge of executive compensation or access to expert advice.

### **2. Basic Function**

Ensure a formal and transparent Board nomination process, and select, compensate, monitor and, when necessary, replace key executives and oversee succession planning.

### **3. Duties and Responsibilities**

The Nomination and Remuneration Committee shall have the following duties and responsibilities:

- 3.1. Meet at least once a year or whenever necessary;
- 3.2. Pre-qualify and shortlist candidates for election to the Board of Directors, including candidates for Independent Directors who shall constitute at least thirty percent of the members of the Board;  

321. The Committee may utilize the services of professional search firms or other external sources to search for qualified candidates to the Board.
- 3.3. Re-nominate Directors by considering the Director's contribution and performance (e.g. attendance, preparedness, participation, and candor) including, if applicable, Independent Directors;
- 3.4. Establish a formal and transparent procedure for fixing the remuneration packages of individual Directors provided, however, that no Director shall be involved in discussions regarding his own remuneration;
- 3.5. Provide a clear disclosure of the remuneration policy of the Company and the level and mix of the remuneration in the Company's annual report;
- 3.6. Designate such amount of remuneration as may be sufficiently attractive to engage and retain Directors and Officers who are needed to run the Company successfully;
- 3.7. Evaluate the Full Business Interest Disclosure form 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; and

- 3.8. Include in the Company's annual reports, information or proxy statements a clear, concise, and understandable disclosure of the compensation of the four (4) most highly compensated Executive Officers and in the aggregate all Officers and Directors as a group unnamed for the previous fiscal year and the ensuing year.

## C. **Audit Committee**

### 1. **Composition and Qualifications**

- 1.1 The Committee shall be composed of at least three (3) appropriately qualified Non-Executive Directors, the majority whom, including the Chairman, shall be independent.
- 1.2 Each member of the Committee must have relevant background knowledge, skills, and/or experience in the areas of accounting, auditing or finance.
- 1.3 The Chairman of the Committee shall be an Independent Director who shall be appointed by the Board. The Chairman of the Audit Committee shall not be the Chairman of the Board or of any other committee.

### 2. **Basic Function**

- 2.1 The Committee shall primarily assist the Board in fulfilling its oversight responsibilities. The Committee shall review (i) the financial reporting process, (ii) the system of internal control, (iii) the audit process, (iv) the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct.
- 2.2 The Committee shall meet at least quarterly.

### 3. **Duties and Responsibilities**

- 3.1 The Committee shall have the following basic functions:
  - (a) Regularly update the Board about committee activities and make appropriate recommendations;
  - (b) Ensure that the Board is made aware of matters which may significantly impact the business affairs and financial condition of the Corporation;
  - (c) Assist the Board in the performance of its oversight responsibilities for the financial reporting process, system of internal control, the audit process;



- (d) Assist the Board and coordinate with legal personnel on the monitoring and checking of compliance with laws, rules and regulations, and the Revised Corporate Governance Manual of the Corporation; and
- (e) Oversee the compliance programs across all businesses and ensure compliance issues are addressed by the Senior Management and/or the respective Board of the subsidiaries/affiliates on a timely basis.

3.2 The Committee shall have the following Audit Oversight functions:

- (a) Ensure the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law, rules, and regulations;
- (b) The Committee shall recommend to the Board the appointment, dismissal, replacement and re-appointment of the External Auditors, duly accredited by the regulators (subject to stockholders ratification), based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The Committee shall recommend the compensation of the external auditor in relation to the scope of its duties and all audit engagement fees and terms and all audit related, and tax compliance engagements with the External Auditors. In this regard, the Committee shall consider the hiring of the External Auditors for the Corporation and its subsidiaries be coordinated at the Group level to secure proper coverage and minimize duplication of efforts. It may recommend to the Board of Directors to grant the President or Chief Finance Officer authority to negotiate and finalize the terms and conditions of the audit engagement as well as the audit fees, and sign, execute and deliver the corresponding contract and all non-audit engagement with the External Auditors subject to the confirmation/approval of the Committee members;
- (c) 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;
- (d) Consider the independence and objectivity of the External Auditor, including reviewing the range of services provided in the context of all consulting services bought by the

Company;

- (e) Confirm annually with the External Auditors, without the presence of the Company's Management, that the External Auditors were given unrestricted access to all records, properties and personnel to enable it to independently perform its audit functions;
- (f) Review the effectiveness of the financial management systems and information technology security including internal control of the entire accounting process from documentation of financial transactions to the preparation, interpretation, and analysis of financial reports of Management, and the External Auditor;
- (g) Review the quarterly, half-year, and annual financial statements before their submission to the Board with particular focus on the following matters:
  - Any changes in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
  - Completeness and clarity of disclosures in the financial statement including related party transactions;
- (h) 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 Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the External Auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report;
- (i) Review Management representation letter before its release to External Auditor;
- (j) Ensure that the Committee Charter is in writing and that arrangements are made for all employees to be aware of it;
- (k) Recommend to the Board of Directors the approval of the Internal Audit Charter;
- (l) Adapt to the international accounting and auditing standard procedures, practices and methodologies;
- (m) Oversee and evaluate the adequacy and effectiveness of the different internal control system, which effectively ensures



- the integrity of the financial reports and protection of the assets for the benefit of all stockholders and other stakeholders of the Company and its subsidiaries;
- (n) Recommend for the approval of the Board of Directors the appointment, dismissal and the annual remuneration of the Chief Audit Executive (CAE);
- (o) Review, evaluate and approve the Annual Audit Plan to include the audit scope, frequency and prioritization of high risk business units/entities as well as approve any significant change to the Annual Internal Audit Plan;
- (p) Ensure that the Internal Audit function has adequate resources in terms of manpower, budget and training to effectively fulfill its independent duties in the expedient implementation of the Annual Audit Plan;
- (q) Review and approve audit reports to the extent that the Committee Chairman may issue directives to Senior Management to develop and implement the necessary corrective actions in a timely manner and/or require submission of a Project Plan to address promptly any significant weaknesses in internal controls, non-compliance with corporate policies and standards, potential violations to laws and regulations and recommendations by the Internal Audit to align with global or industry best practice;
- (r) Review and evaluate the adequacy of the work performed by the CAE and the Internal Audit function;
- (s) Ensure that the Internal Audit function maintains an open communication with Senior Management, the Committee, External Auditors, and regulators;
- (t) Review discoveries of fraud and violations of laws and regulations as raised by Internal Audit; and
- (u) Ensure that the Internal Auditor shall have free and full access to all records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results.

## **D. Risk Management Committee**

### **1. Composition and Qualifications**

- 1.1. The Committee shall be composed of at least three (3) appropriately qualified Non-Executive Directors, the majority of whom, including the Chairman, shall be independent.



- 1.2. Each member of the Committee must have relevant background, knowledge, skills, and/or experience having due regard to the operational, financial and strategic risk profile of the Company.
- 1.3. The Chairman of the Committee shall be an Independent Director who shall be appointed by the Board. The Chairman of the Committee shall not be the Chairman of the Board or of any other committee.

## **2. Basic Function**

- 2.1. The Committee shall primarily assist the Board in fulfilling its oversight responsibilities. The Committee shall monitor the risk environment for LT Group, Inc. (the “Company”) and provide direction for the activities to mitigate, to an acceptable level, the risks that may adversely affect the Company’s ability to achieve its goals. The Committee facilitates continuous improvement of the Company’s capabilities around managing its priority risks.
- 2.2. The Committee shall meet as required or when the Committee deems it necessary, to discuss current risk exposures based on Management reports.

## **3. Duties and Responsibilities**

- 3.2. The Risk Management Committee shall have the following Risk Oversight functions:
  - (a) Perform oversight over Management’s activities in managing credit, market, liquidity, operational legal and other risks of said subsidiaries. The function shall include regular receipt from the Chief Risk Officers of its subsidiaries of information on risk exposures and risk management activities;
  - (b) Assist the Board in the performance of its oversight responsibilities for the management of financial and business risks;
  - (c) Oversee operational, legal, and other risks and shall primarily be responsible for monitoring the statutory requirements of the Corporation. It shall assess the probability of occurrence of each risk and shall estimate its possible effect and cost. Priority areas of concern are risks that are most likely to occur and are costly when such do happen.
  - (d) Oversee the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks. It shall develop a plan defining the strategies for managing and controlling the major risks. It shall identify practical





strategies to reduce the chance of harm and failure or minimize losses if the risk occurs.

- (e) Communicate the risk management plan and loss control procedures to affected parties.
- (f) Conduct regular discussions on the current risk exposure of the Corporation's subsidiaries based on regular Management reports and instruct concerned subsidiaries on how to reduce such exposure.
- (g) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. Strategies should be revisited, in constant search for emerging or changing exposures, staying abreast of developments that affect the likelihood of harm or loss.
- (h) Regularly report to the Board of Directors the Corporation's over- all risk exposure, the actions taken to reduce the risks, and recommend further action or plans as necessary. Consequently, ensures that the Board shall take appropriate corrective action, when necessary, in addressing control and compliance functions with regulatory agencies.

3.3. Lastly, the Risk Management Committee shall have oversight over Related Party Transactions (a.k.a. the "RPT"), to wit:

- (a) Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties, from non-related to related and vice versa, are captured;
- (b) Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) with such related parties than similar transactions with non- Related Parties under similar circumstances and that no corporate or business resources of the Corporation and/or its subsidiaries are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. For this purpose, all RPT transactions that will be submitted to the Board for approval shall be subject to the Committee's prior review and endorsement;
- (c) Ensure that appropriate disclosure is made, and/or information is provided to the SEC and the PSE relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest;



- (d) Report to the Board of Directors on a regular basis the status and aggregate exposures to each Related Party, as well as the total amount of exposures to all Related Parties;
- (e) Ensure that transactions with Related Parties, including write-off of exposures, are subject to a periodic independent review or audit process; and
- (f) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

## **E. Executive Committee**

### **1. Composition and Qualifications**

The Committee shall be composed of seven (7) members of the Board, appointed annually by the Board during its organizational meeting.

### **2. Quorum**

- 2.1. In every case, the presence of a majority of the members of the Executive Committee shall be necessary to constitute a quorum, and every decision of the Executive Committee shall require the affirmative vote of at least a majority of its members present during the meeting.
- 2.2. All actions taken by the Executive Committee for the Company shall be submitted to the Board at its next meeting and shall be subject to revisions and alterations by the Board; provided, that no rights of third persons shall be affected by any such revision or alteration .

### **3. Duties and Responsibilities**

- 3.1. The Executive Committee shall have and may exercise, in the interim period between meetings of the Board of Directors, all of the powers of the Board in the management of the business and affairs of the Company but excluding the powers which are expressly reserved to the Board of Directors under Philippine law, and such powers as are reserved in the corporate By-laws or in this Manual for action by the stockholders.
- 3.2. The Committee shall hold meetings on an as-need basis.
- 3.3. The Executive Committee shall act, by majority vote of all its members, on such specific matters within the competence of the Board of Directors as may be delegated to it by a majority vote of the Board, except with respect to:
  - (i) approval of any action for which stockholders' approval is also required;



- (ii) the filling of vacancies in the Board;
  - (iii) the amendment or repeal of By-Laws or the adoption of new By-Laws;
  - (iv) the amendment or repeal of any resolution of the Board, which by its express terms is not so amendable or repealable; and
  - (v) the distribution of cash dividend to stockholders.
- 3.4. The Committee may determine its rules and procedures subject to the approval of the Board of Directors.
- 3.5. The Committee shall approve the business plan, operating budget, and capital expenditure each year, which shall be subject to confirmation by the Board.

## **F. Corporate Governance Committee**

### **1. Composition and Qualifications**

The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. It shall be composed of five (5) members, at least three (3) of whom shall be Independent Directors, including the Chairman.

### **2. Duties and Responsibilities**

The Committee shall:

- 2.1. Meet at least twice a year or as often as may be necessary;
- 2.2. Ensure the Board's and the Board committees' effectiveness and due observance of corporate governance principles and guidelines;
- 2.3. Oversee the periodic performance evaluation of the Board and its committees and executive management, and conduct an annual self-evaluation of its performance. Periodic performance reviews shall include the Company's subsidiaries and their respective boards and management;
- 2.4. Evaluate and recommend whether or not a Director is able to and has been adequately carrying out his/her duties as Director, bearing in mind the Director's contribution and performance; and
- 2.5. Review and recommend the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall



address how the Board has enhanced long-term shareholder's value.

## **V. EXTERNAL AUDIT**

### **A. Overview**

Independent external audits give the stockholders, managers, employees, stakeholders, and prospective investors a second professional opinion about the Company's financial position. They boost the corporate credibility and prospects for attracting new investment by increasing transparency and ensuring greater accountability.

### **B. General Policies**

1. Unless otherwise delegated, the appointment, reappointment, removal, and fees of the External Auditor shall be recommended by the Audit & Risk Committee.
2. The resignation, dismissal, or cessation of engagement of an External Auditor shall be reported in the Company's annual report explaining in detail the reason/s for such move (e.g. disagreement on accounting principles and practices, financial statement disclosure, or auditing scope or procedure). In case of the removal of the External Auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the Company website and required disclosures.
3. The External Auditor of the Company shall not, at the same time, be the Internal Auditor of the Company. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the External Auditor.
4. The independent accounting firm or its handling partner shall be replaced every five (5) years or earlier.
5. The External Auditor may provide the Company with arm's length advice on issues of accounting, taxation, and legislative compliance, as well as analysis of the Company's finances and operations.
6. In case of discrepancies between the Company's annual report, information statement (or proxy statement, as the case may be) and that of the External Auditor, the latter shall be allowed to present his/her views in the said reports.

## **VI. THE MANAGEMENT**

### **A. Overview**

Management controls the Company's day-to-day operations within the guidelines set by the stockholders and with the oversight of the Company's Board of Directors, the latter assisted by the Board committees. In the discharge of its functions, Management must adhere to the Corporation Code of the Philippines, the Articles of Incorporation, By-Laws, and internal policies.

### **B. General Policies**

1. The Board shall ensure the proper number of Non-Executive Directors to ensure independence of the Board;



2. The Chairman of the Board and the Chief Executive Officer should be separate from the President and Chief Operating Officer; and
3. Management officers and Executive Directors should avoid any situation involving conflict of interest. They should inhibit themselves in decisions wherein their or Related Party's interests are involved.

### **C. Officers: Duties and Responsibilities**

#### **1. President / Chief Operating Officer(COO)**

The President, who shall be the Company's Chief Operating Officer, shall have the following duties and responsibilities:

- (a) Manage the Company's day-to-day operations;
- (b) Execute the overall business directions and strategic plans approved by the Board;
- (c) Represent the Company in interacting with stockholders and other major stakeholders;
- (d) Implement major corporate initiatives as approved by the stockholders and the Board of Directors and report back to these bodies;
- (e) Hire and dismiss employees at the management level, except officers elected by the stockholders or by the Board of Directors;
- (f) Fulfill corporate obligations to the Company's customers, suppliers, employees and stockholders;
- (g) Delegate duties to deputies and determine the scope of their authority;
- (h) Issue orders and implement transactions within the authority of the COO; and
- (i) Prepare monthly, quarterly, and annual report on the Company's operations and performance.

#### **2. Chief Finance Officer (CFO)**

The Chief Finance Officer shall have the following duties and responsibilities:

- (a) Ensure that the Company's cash position is sufficient to meet its obligations and that money is spent wisely to ultimately increase the Company market value;
- (b) Active participation in the strategic planning of the Company's

activities along with other members of the management team, as well as making important financial and investment decisions; and

- (c) Manage the coordination and control of various departments, such as the accounting, finance, and treasury departments, to assure a wise and balanced distribution of financial resources.

### **3. Corporate Secretary**

3.1. The Company Corporate Secretary should have the following qualifications:

- (a) The Corporate Secretary must be a Filipino citizen;
- (b) He/she shall be loyal to the mission, vision, and business objectives of the Company;
- (c) He/she should possess administrative and interpersonal skills and working knowledge of the Company's operations;
- (d) If he/she is not the general counsel, he/she must be aware of laws, rules and regulations necessary in the performance of his/her duties and responsibilities; and
- (e) He/she must also understand financial and accounting information.

3.2. The Corporate Secretary shall have the following functions:

- (a) Prepare, sign, and log the minutes of the meetings of the Board of Directors;
- (b) Oversee the delivery of legally required notices to members of Management, stockholders, third parties, state agencies, and others;
- (c) Inform the members of the Board, in accordance with the corporate By-Laws, of the Agenda of the meetings at least five (5) working days in advance and assist the Directors in obtaining timely and accurate corporate information to make sound business judgment and to perform their responsibilities and obligations;
- (d) Assist the President in preparing for and holding meetings of the Board;
- (e) Keep abreast of relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise;

- (f) Supervise the maintenance, preparation, and submission of reports and other documents to state agencies in accordance with applicable legislation;
- (g) Attend all Board meetings, except when justifiable causes, such as, but not limited to, illness, death in the immediate family, and serious accidents, prevent him/her from doing so;
- (h) Maintain a record of the minutes of the meetings of the Board and its committees, as well as other official records of the Company;
- (i) Advise the Board regarding the establishment of board committees and their terms of reference;
- (j) Oversee the drafting of the By-laws and ensure that they conform with regulatory requirements;
- (k) Ensure that all Board procedures, rules, and regulations are strictly followed by the members; and
- (l) Work fairly and objectively with the Board of Directors, Management, stockholders and other stakeholders.

#### **4. Compliance Officer**

4.1. The Company shall appoint a Compliance Officer who shall have the following qualifications:

- (a) He/she shall have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company;
- (b) He/she shall not be a member of the Board of Directors; and
- (c) He/she should attend an annual training on corporate governance.

4.2. In addition to his/her duties in connection with the administration of this Manual and/or as may be found elsewhere in this Manual, the Compliance Officer shall perform the following functions:

- (a) Ensure proper onboarding of new Directors, including the orientation of the Directors to the Company's business, charter, articles of incorporation, and By-laws;
- (b) Monitor, review, evaluate, and ensure the compliance by the Company, Officers, and Directors with the relevant laws, this Manual, and relevant rules, regulations, and

governance issuances of regulatory agencies;

- (c) Report to the Board and the Corporate Governance Committee any violations found and recommend the imposition of appropriate disciplinary action.
- (d) Ensure the integrity and accuracy of all documentary submissions to regulators;
- (e) Appear before the SEC when summoned in relation to compliance with this Manual;
- (f) Collaborate with the departments of the Company to properly address compliance issues, which may be subject to investigation;
- (g) Identify possible areas of compliance issues and work towards the resolution of the same;
- (h) Ensure the attendance of Board members and key officers to relevant trainings; and
- (i) Perform such other duties and responsibilities as may be provided by the SEC.

**5. Chief Audit Executive (CAE)**

The Company shall provide for a Chief Audit Executive to perform the following responsibilities:

- (a) Periodically review the internal audit charter and present it to senior management and the Board Audit Committee for approval;
- (b) Establish a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- (c) Communicate the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- (d) Spearhead the performance of the internal audit activity to ensure it adds value to the organization;
- (e) Report periodically to the Audit & Risk Committee on the internal audit activity's performance relative to its plan; and



- (f) Present findings and recommendations to the Audit Committee and recommend to senior management and the Board on improvements to internal processes.

## **6. Chief Risk Officer**

The Company shall appoint a Chief Risk Officer who shall perform the following responsibilities:

- (a) Create a Risk Management Framework for the Company;
- (b) Assess the risks throughout the Company and its subsidiaries;
- (c) Quantify the risk limits;
- (d) Monitor and oversee the Company's Risk management operations, including the company's risk identification and mitigation activities;
- (e) Develop plans to mitigate the risks.

## **7. Investor Relations Officer**

The Board shall ensure that an Investor Relations Officer shall have been appointed for the following purposes:

- (a) Attend all Board meetings, except when justifiable causes, such as, but not limited to, illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- (b) Receive feedback, complaints and queries from stockholders and convey the same to the proper department for the appropriate response;
- (c) Encourage active participation of stockholders with regard to activities and policies of the Company; and
- (d) Create an Investor Relations Program that ensures that all information regarding the activities of the Company are properly and timely communicated to stockholders.

## **8. Data Protection Officer**

A Data Protection Officer (DPO) has been appointed to champion data protection initiatives and be primarily responsible for monitoring LTG's compliance to relevant privacy and protection requirements. He/she must have direct reporting responsibilities to LTG's Executive Committee.

The DPO, in disposition of his/her duties, must perform the following:

- (a) Inform and advise the Executive Committee with regard the complaints and/or the exercise by data subjects of their rights;

- (b) Ascertain renewal of accreditations or certifications necessary to maintain the required standards in personal data processing;
- (c) Ensure proper data breach and security incident management by LTG, including the preparation and submission to the National Privacy Commission (NPC) of reports and other documentation concerning security incidents or data breaches within the prescribed period;
- (d) Inform and cultivate awareness on privacy and data protection within the Group, including all relevant laws, rules and regulations and issuances of the NPC;
- (e) Serve as the contact person of LTG vis-à-vis data subjects, the NPC and other authorities in all matters concerning data privacy or security issues or concerns; and
- (f) Coordinate and seek advice of the NPC regarding matters concerning data privacy and security.

## **VII. THE STOCKHOLDERS**

### **THE RIGHTS AND PROTECTION OF STOCKHOLDERS**

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

#### **A. Right to Participate of Stockholders**

1. Stockholders holding (whether individually or in the aggregate as a group) at least one-third (1/3) of the subscribed and paid up capital stock of the Company may call for a Special Stockholders' Meeting by written notice to the Corporate Secretary at least ninety (90) days before the suggested date of the meeting.
2. Stockholders holding (whether individually or in the aggregate as a group) at least one-third (1/3) of the subscribed and paid up capital stock of the Company shall have the right to propose items in the agenda of the Stockholders' Meeting, provided the items are for legitimate business purposes and written notice to request inclusion of the same is sent to the Corporate Secretary at least ninety (90) days before the date of the meeting.
3. The stockholders shall be encouraged to personally attend such meetings and should be apprised ahead of time of their right to appoint a proxy. The Board shall encourage active stockholder participation by sending the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at least 30 days before the meeting.

#### **B. Right to Vote**

1. Stockholders shall have the right to elect, remove, and replace Directors and vote on certain corporate acts in accordance with the Revised Corporation Code.



2. A director shall not be removed without reasonable cause if it will deny minority stockholders representation in the Board.
3. The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the Meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except on the election of Directors and such other matters where the law requires a different threshold for approval.
4. Every stockholder shall have the right to vote, either in person or by proxy, the number of shares registered in his name on record as of the close of business hours on the declared record date. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary for inspection and recording on or before deadline for submission of proxies, shall be honored for purposes of voting.
5. For purposes of electing Directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns multiplied by the number of Directors to be elected, eleven (11). The stockholder has the following options:
  - (i) cast all votes in favor of one (1) nominee;
  - (ii) cast votes for as many Directors to be elected; or
  - (iii) distribute the votes among as many nominees he shall see fit.

The total number of votes cast by the stockholder shall not exceed the number of shares owned by him multiplied by the number of Directors to be elected.

6. Voting shall be done orally, taking into account the number of shares represented by the voting stockholders. The Corporate Secretary or his/her duly authorized representative, to be assisted by the Company's independent accountant or by the representative of the External Auditor, shall conduct the counting of votes.

#### **C. Right to Inspect or Examine Corporate Records**

1. All stockholders shall be allowed to inspect corporate books and records, including minutes of Board meetings, stock registries, annual reports, and financial statements, subject to the following:
  - 1.1. Prior written notice is given by the stockholder to the Corporate Secretary, accompanied with a statement of the purpose of the inspection that indicate good faith or a legitimate purpose;
  - 1.2. The stockholder has not improperly used any information secured through any previous examination of records of the Company.
2. All stockholders shall be furnished, at the stockholders' expense, copies of the corporate books and records upon request, in writing.



**D. Right to Information**

The minority stockholders shall be furnished with relevant information as required by law about the Company on a timely and regular basis.

**E. Right to Dividends**

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

**F. Appraisal Right**

A stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

1. in case an amendment to the Articles of Incorporation will change or restrict the rights of such shareholder or otherwise extends or shortens the term of corporate existence;
2. in case of the sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets;
3. in case of merger or consolidation; or
4. in case the Company decides to invest its funds in another corporation or business or any purpose other than its primary purpose.

**G. Duty of Directors to Stockholders**

1. The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company.
2. The members of the Board shall attend and actively participate in all meetings of the Board, Committees, and stockholders in person or



through teleconferencing/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.

3. The Board shall promote stockholder rights, remove impediments to the exercise of stockholders' rights, and provide adequate avenue for them to seek redress for breach of their rights.
4. The Board shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
5. The Board shall make the results of the votes taken during the most recent Annual or Special Stockholders' Meeting publicly available no later than the next available business day following the meeting. In addition, the Minutes of the Annual and Special Stockholders' Meeting shall be available on the Company website within five (5) business days from the end of the meeting.

#### **H. Right to Fair Treatment and Protection**

1. The Board shall be fair and transparent in its conduct of the Annual and Special Stockholders' Meeting. It shall encourage the Stockholders' active participation by sending the Notice of the Annual and Special Stockholders' Meeting, which shall include sufficient and relevant information relating to the Company, at least twenty-eight (28) days before the meeting.

2. The Stockholders shall be informed of their right to vote and shall be cordially invited to attend the Meeting in person. If they cannot attend, they shall be apprised of their right to appoint a proxy.

3. To encourage the Stockholders' active participation beyond the meeting, the Minutes of the Meeting shall be uploaded in the Company website within five (5) business days from the date of the meeting, in compliance with the requirement of the Securities and Exchange Commission.

4. The Company has appointed an Investor Relations Officer (IRO) with whom the Stockholders may direct their suggestions and complaints. The IRO shall, in turn, make certain that all the concerns of the Stockholders are properly addressed and all information and Company activities are properly and timely communicated to them.

5. To further protect the interest of the Stockholders, the Company has adopted an Alternative Dispute Resolution which shall serve as a guideline in resolving any dispute between the Company and its Stockholders and the Company and its Officers.

#### **VIII. BOARD/COMMITTEE ANNUAL PERFORMANCE ASSESSMENT**

The Company established an evaluation system to determine the efficiency and



compliance of its Board of Directors and its officers to the standards and principles of Corporate Governance.

The Performance Evaluation Form uses a five (5) point rating scale, where 5 is the highest rating, more particularly described as follows:

<b><u>5 – Strong</u></b>	<u>The quality of corporate governance practices <b>EXCEEDS</b> what is prescribed under the existing regulations. Deficiencies/weaknesses are considered to be minor and insignificant.</u>
<b><u>4 – Satisfactory</u></b>	<u>The quality of corporate governance practices <b>MEETS</b> what is prescribed under the existing regulations. Deficiencies/weaknesses may exist, but these do not affect the overall quality of governance in a Company.</u>
<b><u>3 – Less than Satisfactory</u></b>	<u>The quality of corporate governance practices <b>DOES NOT MEET</b> what is prescribed under the existing regulations. The Board and Management are committed to correct the situation in a timely manner.</u>
<b><u>2 – Deficient</u></b>	<u>The quality of corporate governance practices is <b>DEFICIENT</b> in a material way, to meet what is prescribed under the existing regulations. The ability of the Board and Management to correct the situation in a timely manner is doubtful.</u>
<b><u>1 – Critically Deficient</u></b>	<u>The quality of corporate governance practices is <b>CRITICALLY DEFICIENT</b> to meet what is prescribed under the existing regulations. The deficiencies/weaknesses pose an imminent threat to the safety and soundness of the Company.</u>

## IX. ALTERNATIVE DISPUTE RESOLUTION

1. To the extent that it may serve the best interests of the Company, intra-corporate disputes shall be resolved in an amicable and effective manner to prevent excessive litigation and to foster prompt, economical, amicable, and the effective resolution of such disputes.
2. For purposes of this section, an intra-corporate dispute shall be defined as:
  - 2.1. Any dispute involving the following parties:
    - (a) Between the Company and its stockholders; or
    - (b) Between the Company and its officers; and
  - 2.2. The dispute pertains to the enforcement of any of the parties' rights and obligations arising from the Corporation Code of the Philippines, the Company's Articles of Incorporation, the Company's By-Laws, or this Manual.
3. Any such dispute may, at the first instance, be brought by a concerned party to the attention of the Investor Relations Officer for appropriate reply and/or settlement.
4. Failing settlement at the level of the Investor Relations Officer, the aggrieved party may resort to mediation as follows:
  - 4.1. If mediation is resorted to, the panel shall consist of three (3) mediators. The parties may each choose one member of the panel from Management or from the executive officers of the Company. The third member of the panel shall be chosen by the two mediators.



- 4.2. Parties are free to agree on the place of mediation provided the same shall be convenient and appropriate to all parties.
  - 4.3. All information obtained through mediation shall be considered privileged and confidential, unless otherwise waived by both parties and their witnesses, if any.
  - 4.4. The result of mediation shall be reported to the Board. Should the mediation fail, the parties are free to enforce their rights in the proper courts of law.
  - 4.5. In the event of mediation, it shall be entered into voluntarily and in good faith. By entering into mediation, neither of the parties waive their respective statutory or other legal rights.
5. Nothing herein shall prevent any party (including the Company) from terminating discussions for amicable settlement or mediation in favor of pursuing other remedies provided by law.

## **X. DISCLOSURE AND TRANSPARENCY**

1. In addition to the full disclosure policy of the Philippine Stock Exchange, the Board of Directors of the Company is committed to promoting timely, fair and transparent disclosures of material events affecting the Company.
2. Reports and disclosures stated in this Manual shall be submitted to the SEC by the respective committee through the Compliance Officer.
3. All material information that, in the judgment of the Board or the Company's Management, could potentially affect share price in a significant manner, or the interest of its stockholders and other stakeholders, shall be publicly disclosed, so long as such disclosure does not violate regulations of the SEC, the Philippine Stock Exchange(PSE) or any governmental body, nor any legal or binding agreement. Such information shall include but shall not be limited to earnings, results, acquisition or disposal of significant assets, board changes, and material related party transactions, shareholdings of Directors and change of ownership.
4. All disclosed information shall be released via the approved PSE/SEC procedure for Company announcements, as well as through the annual report.

## **XI. COMMUNICATION PROCESS**

1. All Directors, executive officers, 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.
2. An adequate number of printed copies of this Manual must be reproduced under the supervision of the HRD, with a minimum of at least one (1) hard copy of the Manual per department.





*For more information regarding the Company, please contact:*

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Corporate Secretary  
PNB MAKATI CENTER  
6754 Ayala Avenue, Makati City  
T: (632) 810-2451; 816-3311 TO 50  
F: (632) 8165793

## **XII. EFFECTIVITY**

This Corporate Governance Manual will take effect upon approval of the Board of Directors of the Company.

**SIGNED BY:**



**DR. LUCIO C. TAN**  
Chairman of the Board



**ATTY. MARIVIC T. MOYA**  
Compliance Officer

