

2020 MANUAL ON CORPORATE GOVERNANCE

of

Pepsi-Cola Products Philippines, Inc.

The Board of Directors ("Board") and Management, i.e. officers and staff, of Pepsi-Cola Products Philippines, Inc. ("Corporation") hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance ("Manual"), and acknowledge that the same may guide the attainment of our corporate goals.

1. OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization. Corporate governance herein refers to the framework of rules, systems and processes of the Corporation that governs the performance by the Board and Management of their respective duties and responsibilities to stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, the Government, and the community in which the Corporation operates.

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

2. COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. To ensure adherence to corporate governance principles and best practices, the Board shall appoint a Compliance Officer, who shall have the rank of at least Senior Vice-President, highest ranking officer or head of a department, or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer, who shall not be a member of the Board, shall be in charge of the compliance function, and shall annually attend a training on corporate governance. The Compliance Officer shall report directly to the Board.

2.1.2. He/She shall perform the following duties:

- Ensure proper onboarding of new directors (*i.e.*, orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
- Ensure the attendance of board members and key officers to relevant trainings;
- Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, the

provisions and requirements of this Manual and the rules and regulations and all governance issuances of regulatory agencies;

- Ensure the integrity and accuracy of all documentary submissions to regulators;
- Appear before the Securities and Exchange Commission ("Commission") upon summons on similar matters that need to be clarified by the same;
- Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- Determine violation/s of the Manual and recommend penalty/ies for violation/s thereof for review and approval of the Board, as well as the adoption of measures to prevent a repetition of the violation/s;
- Identify, monitor and control compliance risks; and
- Perform such other duties and responsibilities as may be provided by the Commission.

2.1.3. The appointment of the Compliance Officer shall be immediately disclosed to the Commission on SEC Form 17-C. All correspondences relative to his functions as such shall be addressed to the Compliance Officer.

2.2. Plan of Compliance

2.2.1. Board of Directors

Compliance with the principles of good corporate governance shall start with the Board.

2.2.1.1. Composition of the Board

The Board shall be composed of nine (9) members (or such number as shall be indicated in the By-laws from time to time) who are elected by the stockholders, with collective working knowledge, experience or expertise that is relevant to the Corporation's industry or sector. The membership of the Board may be a combination of executive and non-executive directors, and independent directors in order that no director or small group of directors can dominate the decision-making process and to assure an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. A majority of the Board shall be

non-executive directors ("NEDs") who possess such qualifications and stature that enable them to effectively participate in the deliberations of the Board and help secure objective, independent judgment on corporate affairs and substantiate proper checks and balances. It is the Board's policy to encourage diversity in age, gender, ethnicity, culture, skills, competence and knowledge to ensure that optimal decision making is achieved at the Board level.

2.2.1.2. General Responsibility of the Board

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its corporate objectives, and to act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the Corporation, all its stockholders and other stockholders. The Board is primarily accountable to the stockholders and other stakeholders of the Corporation. It shall provide them with a balanced and comprehensive assessment of the Corporation's performance, position and prospects on a periodic basis through reports as may be required by law or regulation. To ensure a high standard of best practices for the Corporation, its stockholders and other stakeholders, the Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities and shall oversee the development of and approve the Corporation's vision, mission, strategic business objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance in their implementation in order to sustain the Corporation's long-term viability and strength.

2.2.1.3. Duties and Functions of the Board

- Install a process of ensuring and adopting effective selection and succession planning programs for directors, key officers and Management, including a policy on retirement age to promote dynamism in the Corporation, to ensure a mix of competent directors and officers, growth and a continued increase in shareholder value;
- Provide sound strategic policies and guidelines on major capital expenditures of the Corporation;
- Establish programs that can sustain the Corporation's long-term, viability and strength;
- Approve the selection of, monitor and periodically evaluate or assess the performance of the Management team led by the Chief Executive Officer, and control functions led by their respective heads (Compliance Officer, Chief Risk Officer and Chief Audit

Executive) in the implementation of the abovestated policies and strategies, including business plans and operating budgets;

- Establish an effective performance management framework to ensure that the performance Management, including the Chief Executive Officer, and personnel is at par with the standards set by the Board and senior Management;
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, adopt a transparent framework and process that allow them to accurately, timely and effectively communicate with the Corporation, and establish clear policies and programs that promote cooperation between them and the Corporation and provide a mechanism for the fair treatment and protection of stakeholders and redress for the violation of their rights, ensuring that the Corporation recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business while contributing to the advancement of the society where it operates;
- Establish and maintain an Investor Relations Office that will keep the stockholders informed of important developments in the Corporation;
- Adopt a system of internal checks and balances;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Formulate and oversee the implementation of group-wide policies, systems and procedures governing related party transactions (RPTs) between and among the Corporation and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board, as well as other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality, which policies, systems and procedures shall include the review and approval of material or significant RPTs encompassing all entities within the group, taking into account their size, structure, risk profile and complexity of operations, to guarantee fairness and transparency of the transactions;

- Properly discharge Board functions by meeting at such times or frequency as may be needed. Independent views during Board meetings shall be encouraged and given due consideration and all such meetings shall be duly minuted;
- Formulate a policy that encourages alternative dispute resolution which can amicably settle conflicts or differences between the Corporation and its stockholders, and between the Corporation and third parties, including regulatory authorities;
- Develop and formulate a Board Charter, which shall be publicly available and posted on the Corporation's website, that formalizes and clearly states the Board's roles, responsibilities and accountabilities in carrying out its fiduciary duties, and serve as a guide to the directors in the performance of their functions, to ensure that Board authority is kept within the powers of the Corporation as prescribed in its Articles of Incorporation and By-Laws and in existing laws, rules and regulations;
- Adopt and ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics ("Code") and internal policies, which provide standards for professional and ethical behavior and articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior Management and employees. It shall also be disclosed and made available to the public through the Corporation's website;
- Establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to stockholders and other stakeholders that gives a fair and complete picture of the Corporation's financial condition and results of business operations;
- Adopt a globally-recognized standard or framework and a clear policy on the disclosure of non-financial information and reporting sustainability and non-financial issues, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability;
- Establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance, set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code, and disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation's culture; and

- 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 an independent director or a unit created to handle whistleblowing concerns. The Board shall exercise conscientiousness in establishing the framework, as well as in supervising and ensuring its enforcement.

In order to provide the Board with accurate and timely information to enable the proper performance of its duties and responsibilities, the members of the Board shall have access to Management, the Corporate Secretary, and, in certain limited cases as deemed necessary and arranged for by Management, independent professional advice.

2.2.1.4. Specific Duties and Responsibilities of a Director

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

A director shall observe the following norms of conduct:

- Conduct fair business transactions with the Corporation and ensure that his/her personal interest does not conflict with the interests of the Corporation, including complying with the Corporation's policy requiring directors and officers to disclose or report to the Corporation any dealings in the Corporation's shares within three (3) business days from and after the transaction, and abstaining from taking part in the deliberations of any transaction affecting the Corporation if said director has a material interest therein;
- Devote time and attention necessary to properly and effectively discharge his/her duties and responsibilities, and notify the Board before accepting a directorship in another company;
- Act judiciously;
- Exercise independent judgment;
- Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the Commission, and where applicable, the requirements of other regulatory agencies;

- Observe confidentiality. Each member of the Board or the Board Committees shall keep in confidence and shall not disclose to third parties any information and documents which he received or which came to his attention in connection with his function as member of the Board or the Board Committees.

In the event there is a requirement to disclose confidential information, the member of the Board or the Board Committees shall seek prior approval from the Board. Upon the end of his term of office, the Director or Board Committee member shall return or destroy all documents relating to the Corporation. Such return or destruction shall be confirmed in writing by said Director or member;

- Inform the Board of actual or potential conflicts of interest. In case of direct conflict of interest, i.e., a situation where a member's vote would operate to the detriment of the Corporation to the extent it would give an advantage to his own interests or any interest otherwise represented by him or a party related to him, the member shall abstain at his own initiative before discussing the respective matter; and
- Attend and actively participate, review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations, in all meetings of the Board, of the Board committees in which he/she is a member, and of the stockholders in person or, if allowed by regulations, through tele-/videoconferencing/telepresence conducted in accordance with the rules and regulations of the Commission, except when justifiable causes such as illness, death in the immediate family or serious accident prevent him/her from doing so.

The NEDs of the Board shall concurrently serve as directors in a maximum of five (5) publicly-listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals or views, and oversee the long-term strategy of the Corporation. The NEDs 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 that proper checks and balances are in place within the Corporation, which meetings shall be chaired by the lead independent director.

2.2.1.5. Internal Control Responsibilities of the Board

The control environment of the Corporation consists of (a) the Board which shall oversee that an appropriate, adequate and effective internal control system and a sound Enterprise Risk Management ("ERM") framework for the conduct of the Corporation's business are in place

taking into account its size, risk profile and complexity of operations, including the setting up of a mechanism for monitoring and managing potential conflicts of interest of Management, Board members, and stockholders; approve the Internal Audit Charter; and ensure that the Corporation is properly and effectively managed and supervised; (b) the Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems and function to identify, assess, monitor and manage key risk exposures; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operation information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

The internal control responsibilities of the Board include:

- Definition of the duties and responsibilities of the President and the Chief Executive Officer in accordance with the provisions of the Corporation's By-Laws;
- Selection of the person/s who possesses or possess the abilities, integrity and expertise essential for the positions of the President and the Chief Executive Officer;
- Evaluation of proposed senior Management appointments;
- Selection and appointment of qualified and competent Management officers;
- Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and Management succession plan; and
- Oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks, which framework shall guide the Board in identifying units or business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

2.2.1.6. Independent Directors

The Corporation shall, to the extent required by law or regulation, have at least two (2) independent directors or such number of

independent directors as will constitute at least twenty percent (20%) of members of the Board, whichever is higher.

An independent director ("ID"):

- is a person who, apart from his/her fees and shareholdings, is independent of Management and the controlling shareholder, 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 Corporation, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out his/her responsibilities as a director of the Corporation;
- is subject to the same general responsibility and specific duties and responsibilities of a director as set forth in 2.2.1.2 and 2.2.1.4, respectively;
- shall always attend Board meetings, but his/her absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) ID in all of its meetings; and
- shall serve for a maximum cumulative term of nine (9) years, after which the ID shall be perpetually barred from re-election as ID of the Corporation, but may continue to qualify for nomination and election as a non-independent director. The Corporation may retain an ID who has served for nine (9) years, provided, that the Board shall give meritorious justification/s and seek stockholders' approval for the same during the annual stockholders' meeting.

The Board shall ensure that its IDs possess the necessary qualifications and none of the disqualifications for an ID to hold the position.

2.2.2. Board Committees

The Board shall establish and maintain such Board committees that focus on specific Board functions to aid in the optimal performance of the Board's roles and responsibilities. In compliance with the principles of good corporate governance, the Board shall constitute and appoint members to the following committees: an Executive Committee, an Audit Committee, a Nomination and Governance Committee, and a Compensation and Remuneration Committee. The Board may create such other committees as it may deem necessary or convenient.

The other committees of the Board, created and appointed by the Board from time to time, shall have such powers and duties not inconsistent herewith as the Board may from time to time determine. All such committees shall resolve all matters brought before it (including the election of their respective Chairmen) by the unanimous vote of its Director-members. If unanimity cannot be achieved at the committee level, the unresolved issue or matter for decision by the committee shall be elevated to the Board for approval which shall decide the same by majority vote, unless it is one of those corporate acts requiring the vote of three-fourths **(3/4)** or **seventy-five percent (75%)** of the members of the Board.

Each of the abovementioned committees shall report regularly to the Board.

The members of the Executive Committee and such other committees created by the Board of Directors may be removed at any time by the Board, with or without cause, and any vacancies in such committees shall be filled by the Board at any regular or special meeting of the Board at which a quorum is present; provided, that only the party which nominated the member who was removed may nominate the replacement of such member.

2.2.2.1. Executive Committee

The Executive Committee (“ExCom”) shall be composed of seven (7) members, namely, the Chief Executive Officer, the Chief Strategy Officer, the Chief Operating Officer, the Chief Financial Officer, and three (3) regular directors. For as long as the exclusive appointments granted by PepsiCo, Inc. (“PepsiCo”) or its affiliates to the Corporation authorizing the Corporation under the terms and conditions set forth therein to produce beverages and snacks specified therein, or its replacement or supplemental agreements (collectively, the “Appointments”), remain effective then PepsiCo shall be entitled to nominate at least one (1) member of the ExCom.

For purposes of this Manual, the term “PepsiCo” shall include PepsiCo, Inc., and all its affiliates, including, but not limited to, PepsiCo Global Investments II B.V., PepsiCo Global Investments B.V., Quaker Global Investments B.V., and Pepsi-Cola Far East Trade Development Co., Inc., any of their successors-in-interest, or any other entity utilized by PepsiCo to hold its interest in the Corporation.

The ExCom shall meet regularly, and shall have the following duties and responsibilities:

2.2.2.1.1. Review the detailed financial and operating performance of the Corporation. It shall review progress against the relevant Annual Operating Plan and Operating Targets, monitor the Corporation’s progress against key initiatives, pricing strategies and

plans, sales and marketing plans, capital expenditure planning and key decisions on organizational structure and people.

2.2.2.1.2. It shall work with the Chief Executive Officer in identifying issues affecting the business of the Corporation, and shall provide guidance to the Chief Executive Officer.

2.2.2.1.3. It shall work with the Chief Executive Officer and his/her senior Management team to formulate and develop the Annual Operating Plan prior to review by the Board.

2.2.2.1.4. The ExCom shall have and exercise all the powers of the Board during the intervals between Board meetings except for: (1) approval of any action for which stockholders' approval is also required; (2) the filling of vacancies in the Board; (3) the amendment or repeal of the Corporation's By-Laws or the adoption of new by-laws; (4) the amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; (5) a distribution of dividends to the stockholders; and (6) such other matters as may be specifically excluded or limited by the Board or by the Revised Corporation Code of the Philippines ("Revised Corporation Code"), or the Corporation's Articles of Incorporation or By-Laws.

The ExCom shall have an Executive Committee Charter, which shall be disclosed in the Corporation's website, stating in plain terms its purposes, membership, structure, operations, reporting processes, resources and other relevant information, which shall provide the standards for evaluating the performance of said Committee.

The ExCom shall keep minutes of each of its meetings, which shall be presented at the next succeeding meeting of the Board for ratification.

2.2.2.2. Audit Committee

The Audit Committee ("AuditCom") shall be established to enhance the Board's oversight capability over (i) the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations, (ii) the Corporation's ERM system to ensure its functionality and effectiveness, and (iii) all material RPTs of the Corporation.

The AuditCom shall be composed of four (4) members, at least two (2) of whom shall be IDs. The members of the AuditCom shall have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance, risk and risk management, and corporate governance. At least one (1) member of the Audit Committee

must have relevant thorough knowledge and experience on risk and risk management.

The Chairman of the AuditCom shall be an independent director and shall not be the Chairman of the Board or the Chairman of any of the other Board committees. The AuditCom shall meet at such times and places as it considers appropriate, but not less than once every quarter. It shall have the following duties and responsibilities:

Financial reporting, internal controls, audit processes and regulatory compliance

2.2.2.2.1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations, including supervising the formulation of rules and procedures on financial reporting and internal control ensuring that the extent of Management's responsibility in the preparation of the financial statements *vis-à-vis* the responsibility of the external auditor is clearly stated, and that an effective system of internal control is maintained that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all its stockholders and other stakeholders;

2.2.2.2.2. Checking all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;

2.2.2.2.3. Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;

2.2.2.2.4. Adopt a robust process for approving and recommending the appointment, reappointment, removal and fees of the external auditor. The appointment, reappointment, removal and fees of the external auditor shall be recommended by the Committee, approved by the Board, and ratified by the stockholders. For the removal of the external auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the Corporation's website and required disclosures;

2.2.2.2.5. Pre-approve all audit plans, scope and frequency before the conduct of external audit;

2.2.2.2.6. Perform direct interface functions with the internal and external auditors;

2.2.2.2.7. Review the reports submitted by the internal and external auditors;

2.2.2.2.8. Review and approve the quarterly unaudited financial statements, and review the annual audited financial statements prior to the submission of the same by the Committee with its endorsement to the Board for approval, with particular focus on the following matters:

- Changes in accounting policies and practices;
- Major judgmental areas;
- Significant adjustments resulting from the audit;
- Going concern assumptions;
- Compliance with accounting standards; and
- Compliance with tax, legal and regulatory requirements.

2.2.2.2.9. Endeavor to elevate to international standards the accounting and auditing processes, practices and methodologies in accordance with applicable laws and regulations;

2.2.2.2.10. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization; and

2.2.2.2.11. Evaluate, determine and disclose in the annual report the non-audit work, if allowed, of the external auditor, and periodically review 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 Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his/its duties as an external auditor or may pose a threat to his/its independence.

Risk management process

2.2.2.2.12. Develop a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

2.2.2.2.13. Oversee the implementation of the ERM plan. The Committee shall conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and shall assess how the concerned units or offices are addressing and managing these risks;

2.2.2.2.14. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee shall revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;

2.2.2.2.15. Advise the Board on its risk appetite levels and risk tolerance limits;

2.2.2.2.16. Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and events or occurrences that are considered to have major impact on the Corporation;

2.2.2.2.17. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders;

2.2.2.2.18. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

2.2.2.2.19. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

Related party and related party transactions (RPTs)

2.2.2.2.20. 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. Related parties, RPTs and changes in relationships shall be reflected in the

relevant reports to the Board and to regulating and/or supervising authorities;

2.2.2.2.21. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties under similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:

- The related party's relationship to the Corporation and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the Corporation of the proposed RPT;
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;

2.2.2.2.22. Ensure that appropriate disclosure is made and/or information is provided to regulating and/or supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliations or transactions with other related parties;

2.2.2.2.23. Report to the Board 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;

2.2.2.2.24. Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and

2.2.2.2.25. Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including a periodic review of RPT policies and procedures.

The AuditCom shall have an Audit Committee Charter, which shall be disclosed in the Corporation's website, stating in plain terms its purposes, membership, structure, operations, reporting processes, resources and other relevant information, which shall provide the standards for evaluating the performance of said Committee.

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

The AuditCom shall keep minutes of each of its meetings, which shall be presented at the next succeeding meeting of the Board for ratification.

2.2.2.3. Nomination and Governance Committee

The Nomination and Governance Committee ("NomGov") shall be established to (i) assist the Board in the nomination and election process for the Corporation's directors and has the special duty of defining the general profile of Board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board, (ii) establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Revised Corporation Code, the corporation's culture and strategy as well as the business environment in which it operates, and (iii) assist the Board in the performance of its corporate governance responsibilities and enhance the Board's oversight capability over the Corporation's compliance with and proper observance of corporate governance principles, practices and responsibilities.

The NomGov shall be composed of at least three (3) members, comprising a combination of IDs and NEDs only, including the Chairman of said committee. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising the NomGov.

The Chairman of the NomGov shall be an ID and must not simultaneously be the Chairman of the AuditCom. The NomGov shall meet at least once each year, and shall have the following duties and responsibilities:

Nomination functions

2.2.2.3.1. It shall establish and adopt a formal and transparent Board nomination and election policy that shall include how said Committee accepts nominations from minority stockholders and reviews nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election or replacement of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the Corporation.

2.2.2.3.2. It shall pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications prescribed by law, regulation, the stockholders, the Board, and the Corporation's Articles of Incorporation and By-Laws, including disqualifying nominees who, in the judgment of the Committee, represents an interest adverse to or in direct or indirect conflict with those of the Corporation. These qualifications and disqualifications shall include, but shall not be limited to, the following:

Qualifications Applicable to All Directors

- Holder of at least one (1) share of stock of the Corporation;
- Possesses at least a college or equivalent academic degree;
- At least twenty-one (21) years old;
- Has been proven to possess integrity and probity;
- Is assiduous;
- Has a practical understanding of the business of the Corporation; and
- Has previous business experience and must be a member in good standing in a relevant industry, business or professional organization.

Additional Qualification Applicable to IDs

- Apart from his/her fees and shareholdings, is independent of Management and the controlling shareholder, 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 Corporation, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his/her exercise of independent judgment in carrying out his/her responsibilities as a director of the Corporation.

Grounds for Permanent Disqualification Applicable to All Directors

- Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code (“SRC”); (b) arises out of the person’s conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his/her fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission, the Bangko Sentral ng Pilipinas (“BSP”) or any court or administrative body of competitive jurisdictions from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.
- Any person who (a) is currently the subject of an order of the Commission, the BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him/her under the Revised Corporation Code, SRC or any other law administered by

the Commission or the BSP, or under any rule or regulation issued by the Commission or the BSP, or (b) has otherwise been restrained to engage in any activity involving securities and banking; or (c) is currently the subject of an effective order of a self-regulatory organization suspending or expelling him/her from membership, participation or association with a member or participant of the organization;

- Any person convicted by final judgment or order by a court of competent administrative body of an offense involving moral turpitude, fraud embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- Any person who has been adjudged by final judgment or order of the Commission, the BSP or a court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Revised Corporation Code, SRC, or any other law, rule, regulation or order administered by the Commission or the BSP;
- Any person judicially declared as insolvent;
- Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code, committed within five (5) years prior to the date of his/her election or appointment.

Grounds for Temporary Disqualification Applicable to All Directors

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

- Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his/her refusal persists;

- Absence in more than sixty percent (60%) of all meetings, both regular and special, of the Board during his/her incumbency, or any twelve (12) month period during said incumbency, unless the absence is justified because of illness, death in the immediate family or serious accident. This disqualification shall apply for purposes of the succeeding election;
- Dismissal or termination as director of any publicly-listed company, public company, registered issuer of securities or holder of a secondary license from the Commission for cause. This disqualification shall in effect until he/she cleared himself/herself of any involvement in the cause that gave rise to his/her dismissal or termination; and
- If any of the judgments or orders mentioned in the Grounds for Permanent Disqualification has not yet become final.

Additional Grounds for Temporary Disqualification Applicable to IDs

- If his/her beneficial equity ownership in the Corporation or its subsidiaries, associates, affiliates or related companies exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.
- Any person who was earlier elected as an ID of the Corporation but subsequently becomes an officer or employee of the same.
- Any person who was an executive director, officer, or employee of the Corporation, its substantial stockholder, subsidiaries, associates, affiliates or related companies, within the last three (3) years immediately preceding the date of his/her election as an ID. The disqualification shall be lifted upon the lapse of the three (3)-year period.
- Any person who is a relative of a director, officer, or substantial stockholder of the Corporation or any of its related companies or of any of its substantial stockholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister.

- Any person who is acting as a nominee or representative of any director of the Corporation or any of its related companies;
- Any person who is securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange ("PSE"), an associated person or salesman, and an authorized clerk of the broker or dealer;
- Any person who is retained, either in his/her personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial stockholders, or is not independent of Management and not free from any business or other relationship within three (3) years immediately preceding the date of his/her election;
- Any person who engages or has engaged, whether by himself/herself or with other persons or through a firm of which he/she is a partner, director or substantial stockholder, in any transaction with the Corporation or any of its related companies or substantial stockholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his/her independent judgment;
- Any person who is affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial stockholders; and
- Any person who is employed as an executive officer of another company where any of the Corporation's executives serve as directors.

Related companies, as used in this section, refer to (i) the Corporation's holding or parent company; (ii) its subsidiaries; and (iii) the subsidiaries of its holding or parent company.

Unless the temporary disqualification is automatically lifted upon the lapse of a certain period, a temporarily disqualified director shall, within sixty (60) business days from such disqualification, take appropriate action to remedy or correct

the disqualification. If he/she unjustifiably fails or refuses to do so, the disqualification shall become permanent.

2.2.2.3.3. It shall advise the Board and the stockholders, as applicable, whether the directors continue to be qualified or are disqualified from continuing as members of the Board.

2.2.2.3.4. In consultation with the Executive Committee, it shall re-define the role, duties and responsibilities of the Chief Executive Officer or other members of senior Management by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

2.2.2.3.5. The NomGov shall consider the following guidelines in the determination of the number of allowable directorships for the members of the Board:

- The nature of the business of the corporations of which he/she is a director;
- The age of the director;
- The number of directorships or active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

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

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

Corporate Governance functions

2.2.2.3.6. Oversee the implementation of the corporate governance framework and periodically review said framework to ensure that it remains appropriate in light of material changes to the Corporation's size, complexity and business strategy, as well as its business and regulatory environment;

2.2.2.3.7. Oversee the periodic performance evaluation of the Board and its committees, as well as Management, and conduct an annual self-evaluation of its performance;

2.2.2.3.8. Ensure that the results of the Board evaluation are shared and discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

2.2.2.3.9. Recommend continuing education or training programs for directors, assignment of tasks or projects to Board committees, succession planning for the Board members and senior officers, and remuneration packages for corporate and individual performance;

2.2.2.3.10. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance; and

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

The NomGov shall have a Nomination and Governance Committee Charter, which shall be disclosed in the Corporation's website, stating in plain terms its purposes, membership, structure, operations, reporting processes, resources and other relevant information, which shall provide the standards for evaluating the performance of said Committee.

The NomGov shall keep minutes of each of its meetings, which shall be presented at the next succeeding meeting of the Board for ratification.

2.2.2.4. Compensation and Remuneration Committee

The Compensation and Remuneration Committee ("CRC") shall be established to assist the Board in developing a formal and transparent procedure and policy for determining the remuneration of directors and officers that are consistent with the Revised Corporation Code, the Corporation's culture and strategy, as well as the business environment in which it operates.

The CRC shall be composed of four (4) members, two (2) of whom shall be IDs.

The Chairman of the CRC shall be an independent director and must not simultaneously be the Chairman of the AuditCom. The CRC shall hold meetings at such times and places as it considers appropriate, provided that one (1) meeting for a review of the Corporation's compensation plan for the year, shall be held before the start of the calendar year. It shall have the following duties and responsibilities:

2.2.2.4.1. Establish a formal and transparent procedure for the development and adoption of a policy on executive remuneration, which policy specifies the relationship between remuneration and performance, with the objective of aligning the remuneration of key officers and directors, with the long-term interests of the Corporation, and provide oversight over remuneration of the rest of senior Management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates;

2.2.2.4.2. Designate the amount of remuneration, which shall be in a sufficient level to attract and directors and officers who are needed to run the Corporation successfully. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance;

2.2.2.4.3. Develop a 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;

2.2.2.4.4. Disallow any director to participate in discussions or deliberations involving his/her own remuneration and/or decide his/her own remuneration;

2.2.2.4.5. To the extent required by law or regulation, provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid to its directors and the Chief Executive Officer and the top four (4) Management officers during the preceding fiscal year; and

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

The CRC shall have a Compensation and Remuneration Committee Charter, which shall be disclosed in the Corporation's website, stating in plain terms its purposes, membership, structure, operations, reporting processes, resources and other relevant information, which shall provide the standards for evaluating the performance of said Committee.

The CRC shall keep minutes of each of its meetings, which shall be presented at the next succeeding meeting of the Board for ratification.

2.2.3. The Chairman of the Board

The Board shall be headed by a competent and qualified Chairman. The Chairman of the Board, who is not the Chief Executive Officer of the Corporation, is an officer of the Corporation who epitomizes the mission and vision of the Corporation and must possess unparalleled leadership skills and a high degree of foresight.

2.2.3.1. Duties and Responsibilities of the Chairman in Relation to the Board

- Ensure that the meetings of the Board are held in accordance with the Corporation's By-Laws or as the Chair may deem necessary;
- Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, the Chief Executive Officer, Management, and the directors; and
- Maintain qualitative and timely lines of communication and information between the Board and the Management of the Corporation.

If the Chairman of the Board is not an independent director or if the positions of the Chairman of the Board and Chief Executive Officer are held by one person, the Board shall designate a lead director among the independent directors to serve as an intermediary between the Chairman and the other directors when necessary.

2.2.4. The President

The President shall be a director of the Corporation. He/She may call special meetings of the stockholders and the Board of Directors and shall perform such other duties as are incident to his/her officer or are properly required of him/her by the Board of Directors.

In the absence of the Chairman and Vice-Chairman, the duty to preside at the meetings of the Board of Directors falls on the President or the Chief Executive Officer.

2.2.5. The Chief Executive Officer

The Chief Executive Officer, who need not be a director and who is not the Chairman of the Board of the Corporation, shall lead the Management team. He/She is ultimately accountable for the Corporation's organizational and

operational controls. He/She must work and deal fairly and objectively with all the constituencies of the Corporation, namely, the Board, Management, stockholders and other stakeholders.

The Chief Executive Officer shall ensure that Management will provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to its stockholders.

In the absence of the Chairman and Vice-Chairman, the duty to preside at the meetings of the Board of Directors falls on the President or the Chief Executive Officer.

2.2.6. The Corporate Secretary

The Corporate Secretary, who shall not be a member of the Board and who shall not be concurrently serving as the Compliance Officer, is an officer of the Corporation and perfection in performance and no surprises are expected of him/her. Likewise, his/her loyalty to the mission, vision and specific business objectives of the Corporation come with his/her duties. The Corporate Secretary, who shall be a Filipino citizen and a resident of the Philippines, shall annually attend a training on corporate governance.

Considering his/her varied functions and duties, he/she must possess administrative and interpersonal skills, and if he/she is not the general counsel, then he/she must have some legal skills, be aware of the laws, rules and regulations necessary in the performance of his/her duties and responsibilities, and must have a working knowledge of the operations of the Corporation. He/She must also have some financial and accounting skills.

2.2.6.1. Duties and Responsibilities

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation;
- Gather and analyze all documents, records and other information essential to the conduct of his/her duties and responsibilities to the Corporation;
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
- Assist the Board in making business judgment in good faith and in the performance of its responsibilities and obligations;
- Attend all Board meetings, except when prevented by justifiable causes such as illness, death in the immediate family or serious accident, and maintain a record of the same;

- Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

2.2.7. Chief Risk Officer

To assist the Board in managing the Corporation's Risk Management System, the Board shall appoint a Chief Risk Officer ("CRO"), who is the ultimate champion of ERM and has adequate authority, stature, resources and support to fulfill his/her responsibilities. The CRO shall report directly to the AuditCom.

2.2.7.1. Duties and Responsibilities

- Supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- Communicate top risks and the status of implementation of risk management strategies and action plans to the AuditCom;
- Collaborate with the Chief Executive Officer in updating and making recommendations to the AuditCom;
- Suggest ERM policies and related guidance as needed; and
- Provide insights on the following:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

2.2.8. External Auditor

The external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The external auditor shall be selected and appointed by the stockholders upon the recommendation of the AuditCom.

2.2.8.1. The reason/s for the resignation or termination of service, dismissal or cessation from service of the external auditor and the date thereof shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

2.2.8.2. The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the Corporation. The Corporation shall ensure that non-audit work, if allowed to be performed by said external auditor, shall not be in conflict with his/its functions as external auditor of the Corporation or may not pose a threat to his/its independence.

2.2.8.3. The Corporation's external auditor shall be rotated or, if the external auditor is an auditing firm, the partner of that firm signing the audit opinion for the Corporation's financial statements shall be changed every five (5) years or earlier.

2.2.8.4. If the external auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during the engagement of said external auditor is incorrect or incomplete, the external auditor shall present his/its views in said reports.

2.2.9. Chief Audit Executive

The Corporation shall have in place an Internal Audit Department ("IAD") serving the internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Corporation's operations. The IAD shall be headed by a qualified Chief Audit Executive ("CAE") appointed by the Board who shall oversee and be responsible for the internal audit activity of the Corporation, including that portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior Management personnel shall be assigned the responsibility for managing the fully outsource internal audit activity.

The CAE shall oversee the work performed by an Internal Auditor or a group of Internal Auditors, through which the Board, senior Management, and the stockholders shall be provided with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate and complied with.

The CAE shall report to the AuditCom which, apart from establishing and identifying the reporting line of the CAE to enable the proper discharge of duties, shall ensure that in the performance of his/her work, the CAE shall be free from interference by outside parties.

2.2.9.1. The minimum internal control mechanisms for Management's operational responsibility shall center on the Chief Executive Officer being ultimately accountable for the Corporation's organizational and procedural controls.

2.2.9.2. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size, and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

2.2.9.3. The CAE shall be guided by the International Standards on Professional Practice and Internal Auditing.

3. COMMUNICATION PROCESS

3.1. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

3.2. All directors, executives, and division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

3.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of the Human Resources Department, with a minimum of at least one (1) hard copy of the Manual per department.

4. TRAINING PROCESS

4.1. If necessary, funds shall be allocated by the Chief Financial Officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

4.2. A director shall, before assuming as such, be required to attend an in-house orientation program, and annually thereafter, continuing training on corporate governance which shall be conducted by a duly recognized private or government institution.

5. REPORTORIAL OR DISCLOSURE SYSTEM OF CORPORATION'S CORPORATE GOVERNANCE POLICIES

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

5.2. Reports and disclosures of policies, procedures, programs, charters and systems established, adopted and maintained by the Corporation in compliance with

its corporate governance obligations as set forth in this Manual, including the disclosure of basic stockholder rights, shall be prepared and submitted to the Commission by the responsible committee or officer of the Corporation through the Corporation's Compliance Officer and posted on the Corporation's website.

5.3. Every material fact or event that occurs, i.e., anything that could adversely affect the viability of the Corporation or the interest of its stockholders and other stockholders, shall be publicly disclosed in a full, fair, accurate and timely manner. Such information shall include, among others, earnings results, acquisition or disposal of significant assets, Board changes, shareholdings of directors and officers, and changes in ownership. The Board of the Corporation shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of significant assets.

5.4. Other information that shall always be disclosed include:

- corporate strategy;
- off balance sheet transactions;
- policies governing RPTs and other unusual or infrequently occurring transactions, and material or significant RPTs reviewed and approved during the year;
- policies and procedure for setting Board and executive remuneration (including stock options) of all directors and senior Management, as well as the level, mix, individual remuneration, termination and retirement provisions; and
- all relevant and material information on individual Board members and key executives to evaluate their experience and qualifications, including assessment of any potential conflicts of interest that might affect their judgment.

5.5. All disclosed information shall be released via the approved stock exchange procedure for company announcements, as well as through the annual report.

5.6. The Board shall commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

5.7. The Corporation shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its stockholders and other investors.

6. STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

6.1. The Board shall respect the rights of the stockholders of the Corporation as provided for in the Revised Corporation Code and subject to the qualifications made in the Corporation's Articles of Incorporation and By-Laws, namely:

- 6.1.1. Right to vote on all matters that require their consent or approval;
- 6.1.2. Right to inspect corporate books and records;
- 6.1.3. Right to information;
- 6.1.4. Right to dividends; and
- 6.1.5. Appraisal right.

6.2. The Board shall be transparent and fair in the conduct of annual and special stockholder's meetings of the Corporation. Subject to the requirements of the Corporation's By-Laws, the exercise of the stockholder's right to appoint a proxy shall not be unduly restricted, and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

6.3. The Board shall encourage active stockholder participation by sending the notice of any annual or special stockholders' meeting with sufficient and relevant information at least twenty-eight (28) days before the meeting.

6.4. The Board shall encourage active stockholder participation 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 or special stockholders' meeting shall be made available for viewing in the Corporation's website within five (5) business days after the meeting.

6.5. The Board shall establish an Investor Relations Office ("IRO") to ensure constant engagement with its stockholders. The IRO shall establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. The IRO shall be present at every stockholders' meeting.

7. MONITORING AND ASSESSMENT

7.1. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman of the Board, the individual directors, and the Board committees. Every three (3) years, the assessment shall be supported by an external facilitator.

7.2. The Board shall have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and the Board committees, and such system shall allow for a feedback mechanism from the stockholders. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such other form of report that is appropriate and applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

7.3. The Compliance Officer shall determine, monitor, review, evaluate, measure and ensure compliance by the Corporation, its directors, officers and employees with this Manual, and with laws, rules and regulations applicable to the Corporation and its business. Any violation thereof shall subject the responsible director, officer or

employee to the penalty provided under Part 8 of this Manual after due notice and hearing.

7.4. This Manual shall be subject to review annually or such other frequency of review as the Board may, in its discretion, decide.

7.5. All business processes and practices currently being performed within any department or business unit of the Corporation that are not consistent with any provision of this Manual shall be revisited and appropriate revisions of such existing business processes and practices shall be proposed by Management to the Board for approval to ensure compliance with the Manual.

8. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

8.1. To ensure the strict observance and faithful implementation of the provisions of this Manual, the following penalties shall be imposed, after due notice and hearing, upon the responsible director, officer and/or employee of the Corporation, in case of a violation of any of the provisions of this Manual:

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

8.2. The commission of a third violation of this Manual by any member of the Board of the Corporation shall be sufficient cause for his removal as a director.

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

Adopted and approved by the Board of Directors of Pepsi-Cola Products Philippines, Inc. in Metro Manila, Philippines on 13 May 2020.

Signed by:



OSCAR S. REYES

Chairman of the Board of Directors
for the Board of Directors

YOUNG DUK KANG
Compliance Officer

Adopted and approved by the Board of Directors of Pepsi-Cola Products Philippines, Inc. in Metro Manila, Philippines on 13 May 2020.

Signed by:

OSCAR S. REYES
Chairman of the Board of Directors
for the Board of Directors


YOUNG DUK KANG
Compliance Officer