

# COVER SHEET

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S.E.C. Identification No.

**PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

(Company's Full Name)

**Km. 29 National Road, Tunasan, Muntinlupa City**

(Business Address: No. Street City/Town/Province)

**Ma. Rosario C.Z. Nava**

Contact Person

**750-9687**

Company Telephone Number

1	2
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Month Day  
Fiscal Year

3	1
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Day

**Revised Manual on Corporate Governance**

FORM TYPE

**Last Friday of May**

Month Date  
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Article Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Remarks = pls. Use black ink for scanning purposes

31 July 2014

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA  
Greenhills, Mandaluyong City

Attention: **Ms. Justina F. Callangan**  
*Acting Director, Corporate Governance and Finance Department*

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Re: **Revised Manual on Corporate Governance**

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Gentlemen:

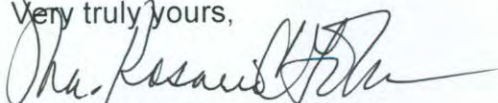
We submit herewith the Revised Manual on Corporate Governance of Pepsi-Cola Products Philippines, Inc. duly signed by the Chief Executive Officer of the Corporation, Mr. Yeon-Suk No, in behalf of the Board of Directors.

This Revised Manual on Corporate Governance was approved and adopted by the Board of Directors at its meeting held today.

We trust that with this submission, we have sufficiently complied with the requirements of SEC Memorandum Circular No. 9, Series of 2014.

Thank you.

Very truly yours,



**MA. ROSARIO C. Z. NAVA**  
*Corporate Secretary/Compliance Officer*

*Encl: a/s*



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

**2. COMPLIANCE SYSTEM**

**2.1 Compliance Officer**

2.1.1 To insure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer who shall have the rank of at least Vice President or its equivalent. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer. The Compliance Officer shall directly report to the Chairman of the Board.

2.1.2 He shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies;
- Appear before the Securities and Exchange Commission ("Commission") upon summon on similar matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for review and approval of the Board, as well as the adoption of measures to prevent a repetition of the violation; ^ and

- Identify, monitor and control compliance risks.

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 said 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 at least five (5) but not more than fifteen (15) members who are elected by the stockholders. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

#### 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 in the best interests of its stockholders and other stakeholders. The Board is primarily accountable to the stockholders and other stakeholders of the Corporation. It should 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 practice 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 should formulate the Corporation's vision, mission, strategic objectives, policies, and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

#### 2.2.1.3 Duties and Functions of the Board

- Install a process of selection to ensure a mix of competent directors and officers;
- 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;

- Periodically evaluate and monitor the implementation of the abovestated policies and strategies, including business plans, operating budgets and Management's overall performance;
- 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 and formulate a clear policy of accurately, timely and effectively communicating or relating with them;
- Establish and maintain an investor relations program 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 implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- 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; and
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

In order to provide the Board with accurate and timely information to enable the proper performance of their 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. He shall act in the best interest of the Corporation and in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

A director should observe the following norms of conduct:

- To conduct fair business transactions with the Corporation and to ensure that his personal interest does not conflict with the interests of the Corporation;
- To devote time and attention necessary to properly and effectively discharge his duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To 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;
- To observe confidentiality; and
- To attend all regular and special meetings of the Board of Directors.

#### **2.2.1.5 Internal Control Responsibilities of the Board**

The control environment of the Corporation consists of (a) the Board which ensures 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 (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 operational 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; and

- Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

#### **2.2.1.6 Independent Directors**

The Corporation shall, to the extent required by law or regulation, have two (2) independent directors or at least twenty percent (20%) of its Board size, whichever is the lesser, provided, that the number of independent directors shall in no case be less than two (2).

An independent director is a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Corporation.

The independent director 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. While an independent director should always attend Board meetings, his absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) independent director in all of its meetings.

#### **2.2.2 Board Committees**

To aid in complying 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 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 or 75% of the members of 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 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 Bottling Appointments granted by PepsiCo, Inc. ("PepsiCo") or its affiliates to the Corporation authorizing the Corporation under the terms and conditions specified therein to produce beverages known as and sold under the trademarks PEPSI, DIET PEPSI, PEPSI LIGHT, PEPSI MAX, MIRINDA, MOUNTAIN DEW, DIET 7UP, 7UP, GATORADE, PROPEL, TROPICANA and STING, 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 Executive Committee.

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 Executive Committee 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 organization 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 Executive Committee 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 shareholders' 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 shareholders; and (6) such other matters as may be specifically excluded or limited by the Board or by the Corporation Code of the Philippines ("Corporation Code"), or the Corporation's Articles of Incorporation or By-Laws.



The Executive Committee 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 shall be composed of four (4) members of the Board, with at least two (2) members being independent directors. The members of the Audit Committee shall preferably have accounting and finance backgrounds, with at least one (1) member with audit experience.

The Chairman of the Audit Committee shall be an independent director. The Audit Committee shall meet at least once every three (3) months, and shall have the following duties and responsibilities:

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

2.2.2.2.5 Perform direct interface functions with the internal and external auditors;

2.2.2.2.6 Review the reports submitted by the internal and external auditors;

2.2.2.2.7 Review and approve the quarterly and semestral financial statements, as well as review the annual financial statements prior to the submission of the same 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.

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

2.2.2.2.9 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

2.2.2.2.10 Evaluate and determine the non-audit work, if any, 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 duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's annual report.

The Audit Committee 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 Committee**

The Nomination Committee shall be composed of at least three (3) members, one (1) of whom shall be an independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising the Nomination Committee.

The Nomination Committee shall meet at least once a year, and shall have the following duties and responsibilities:

2.2.2.3.1 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 shareholders, the Board, and the Corporation's Articles of Incorporation and By-Laws, including disqualifying nominees who, in the judgment of the Nominating 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

- Holder of at least one (1) share of stock of the Corporation;

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

#### Additional Qualification for Independent Directors

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

#### Grounds for Permanent Disqualification

- 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 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 or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.
- Any person who is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit

issued to him under the Corporation Code, SRC or any other law administered by the Commission or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the SRC, the Corporation Code, or any other law administered by the Commission or BSP, or any rule, regulation or order of the Commission or BSP;
- Any person judicially declared to be insolvent;
- Any person finally found guilty by 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 Corporation Code, committed within five (5) years prior to the date of his election or appointment.

#### Grounds for Temporary Disqualification

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 refusal persists;
- Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his 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 applies for purposes of the succeeding election;
- Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal/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 for Independent Directors

- If his beneficial equity ownership in the Corporation or its subsidiaries and affiliates 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 independent director of the Corporation but subsequently becomes an officer or employee of the same.
- Any person who was an officer, employee or consultant of the Corporation within the last five (5) years immediately preceding the date of his nomination as an independent director. The disqualification shall be lifted upon the lapse of the 5-year period.

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 unjustifiably fails or refuses to do so, the disqualification shall become permanent.

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

2.2.2.3.3 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.

2.2.2.3.4 The Nomination Committee 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 is a director;
- Age of the director;
- Number of directorships/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 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, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

The Nomination Committee 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 or Remuneration Committee**

The Compensation and Remuneration Committee shall be composed of at least three (3) members, one (1) of whom shall be an independent director. The Board may also designate non-voting members as it may on a case-to-case basis require for purposes of advising the Compensation and Remuneration Committee.

The Compensation and Remuneration Committee shall meet at least once a year, and shall have the following duties and responsibilities:

2.2.2.4.1 Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and 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 retain senior management and directors 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 decide his or 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 top four (4) management officers during the preceding fiscal year; and

2.2.2.4.6 Review (if any) 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 Compensation and Remuneration Committee 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 Chairman of the Board is an officer of the Corporation who epitomizes the mission and vision of the Corporation. He 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 Management.

### **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 office or are properly required of him/her by the Board of Directors.

### **2.2.5 The Chief Executive Officer**

The Chief Executive Officer, who need not be a director, shall lead the Management team. He is ultimately accountable for the Corporation's organizational and operational controls. He 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.

### 2.2.6 The Corporate Secretary

The Corporate Secretary 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 corporate entity come with his/her duties. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.

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 the 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 their responsibilities and obligations;
- Attend all Board meetings, except when prevented by justifiable causes such as illness, death in the immediate family and serious accident, and maintain a record of the same;
- Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- Work fairly and objectively with the Board, Management, stockholders and other stakeholders; ^ and
- If he/she is also the Compliance Officer, perform all the duties and responsibilities of said officer as provided for in this Manual.

### 2.2.7 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 shareholders upon the recommendation of the Audit Committee.



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

2.2.7.2 The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.2.7.3 The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.2.7.4 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.

## **2.2.8 Internal Auditor**

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall report to the Audit Committee which, apart from establishing and identifying the reporting line of the Internal Auditor to enable the proper discharge of duties, shall ensure that in the performance of his/her work, the Internal Auditor shall be free from interference by outside parties.

2.2.8.1 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.

2.2.8.2 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.

2.2.8.3. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

## **3. COMMUNICATION PROCESS**

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

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

3.3. An adequate number of printed copies of this Manual must be reproduced under the supervision of 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 a seminar 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 reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible committee or officer through the Corporation's Compliance Officer.

5.2. All material information, i.e., anything that could adversely affect the viability of the Corporation or the interest of its stockholders and other stakeholders, shall be publicly disclosed in a timely manner. Such information shall include, among others, earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes in ownership.

5.3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

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

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

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

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

6.1 Right to vote on all matters that require their consent or approval;

6.2 Right to inspect corporate books and records;

6.3 Right to information;

6.4 Right to dividends; and

6.5 Appraisal right.

The Board should be transparent and fair in the conduct of annual and special stockholders' 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 should be resolved in the stockholder's favor.

## 7. MONITORING AND ASSESSMENT

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

7.2. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.

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

7.4. This Manual shall be subject to annual review or such other period as the Board may, in its discretion, provide.

7.5. All business processes and practices 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 strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after due notice and hearing, on the Corporation's directors, members of any of the abovementioned Board committees, officers, and staff, 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 violation/s through notice and hearing and shall recommend to the Chairman of the Board the impossible 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 Makati City, Philippines and via videoconference from Seoul, Korea and Hong Kong on 31 July 2014.

Signed by:



**YEON-SUK NO**  
*Chief Executive Officer*  
for the Board of Directors