



Solar Philippines Nueva Ecija Corporation

MANUAL ON CORPORATE GOVERNANCE

Table of Contents

Introduction.....	4
A. Commitment to Good Corporate Governance	5
B. The Compliance System	5
C. The Board of Directors and Corporate Officers	5
1. Composition and Board Size	6
2. The Chairman, Chief Executive Officer (CEO)/President	7
i. Chairman	7
ii. CEO/President	8
3. Qualifications and Disqualifications of a Director	8
4. Independent Directors	10
5. Nomination and Election of Directors	11
6. Mission and General Responsibility of the Board	11
7. Board Authority, Duties and Functions	11
8. Specific Duties and Responsibilities of a Director	14
9. Financial Reporting, Disclosure, Transparency and Internal Control Responsibilities of the Board	14
10. Board Meetings	15
11. Board and Officers’ Remuneration	15
12. Board Committees	15
i. Audit and Risk Management Committee	16
ii. Corporate Governance Committee	18
iii. Related Party Transactions Committee	18
13. The Corporate Secretary	19
14. The Compliance Officer	19
D. Fiscal Responsibilities	20
i. Financial Reporting, Disclosure, Transparency and Internal Control	20
ii. Head of the Finance Division	21
iii. Accountability and Audit	21
1. Accountability	21
2. External Auditor	22
iv. Related Party Transactions (RPTS)	23
E. Rights of Stockholders and Protection of Minority Stockholders’ Interest	24
i. Rights of Stockholders	24
1. Voting Right	24
2. Right of Inspection	24
3. Right to Information	24

4. Right to Dividends	24
5. Appraisal Right	25
ii. Duties of the Board of Directors	25
F. Sustainability and Social Responsibility	25
G. Communication, Dissemination, Monitoring and Sanctions	25
i. Adequate and Timely Information	25
ii. Monitoring and Assessment	26
iii. Penalties for Non-Compliance	26
H. Anti-Corruption Program.....	26
Signature Page.....	27

INTRODUCTION

The Manual aims at defining the responsibilities and accountabilities of the Board of Directors and Officers of Solar Philippines Nueva Ecija Corporation (hereinafter referred to as the “Corporation”). It is the primary source of guidance on all aspects of governance including statutory guidance under which the Corporation operates, and sets the rules governing Board meetings.

The Manual is designed to be an active, flexible and practical document; thus, some information may be duplicated between certain sections. This is to make changes in the Manual easier whenever some sections are modified, amended, revised or updated as the need arises.

A. Commitment to Good Corporate Governance

The Corporation's Board of Directors and Management recognize that a good corporate governance system is integral to the mandate bestowed by the Corporation's stakeholders. The Corporation's Board and Management are conscious of their fiduciary duties, accountabilities and responsibilities to all stakeholders, and subscribe to the belief that the pursuit of corporate goals must be bound by high ethical standards. Accordingly, this Manual is a commitment to the following principles in the performance of functions: altruism, integrity, objectivity, accountability, transparency, probity, sensible frugality and leadership.

As part of the Corporation's commitment to corporate governance, it shall establish and implement its corporate governance rules in accordance with the Securities and Exchange Commission's (the "SEC") Code of Corporate Governance for Publicly-Listed Companies (the "Code") and other pertinent regulations of the SEC and other relevant government agencies. The rules shall be embodied in this Manual that can be used as a reference by the members of the Board and the Management of the Corporation.

B. The Compliance System

In order to fulfil its commitment to good governance, the following mechanisms are established to ensure that the Corporation remains true to its fiduciary duties and responsibilities.

1. Establish the core functions and duties of the board of directors and corporate officers
2. Creation of the board committees
3. Establish the duties of the Corporate Secretary
4. Appointment of a Compliance Officer
5. Financial Accountability
6. Rights of the Stockholders
7. Social Responsibility
8. Compliance and Monitoring

C. The Board of Directors and Corporate Officers

In the performance of its duties and responsibilities, as defined in the Corporation's By-Laws, the Board shall:

- a. act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation, its stockholders, and other relevant stakeholders;

- b. oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long-term viability and strength;
- c. stay up-to-date on developments in finance and corporate governance;
- d. act with confidentiality and discretion in the use of information proprietary to the Corporation;
- e. avoid any conflict of interest, which may interfere with their exercise of independent judgment;
- f. conduct fair business transactions with the Corporation and to ensure that personal interest does not prejudice Board decisions;
- g. disclose any relationship that can compromise a Director's independence;
- h. foster a diverse, non-discriminatory, merit-based work and business environment, which promote a climate of harmony, cooperation and tolerance;
- i. exercise due prudence in the use of the Corporation's resources;
- j. respect the rights of all stakeholders, considering their diverse needs in formulating Corporation policies;
- k. submit to a vote of stockholders all matters requiring their approval under the Articles of Incorporation, By-Laws, the Revised Corporation Code of the Philippines and any stockholders agreement among the stockholders of the Corporation; and
- l. adhere faithfully to all laws and regulations defining the Board's obligations.

1. Composition and Board Size

The Board of Directors shall consist of such number of members as may be defined in the Corporation's Articles of Incorporation. The Board of Directors shall, as far as practicable, be composed of members from diverse backgrounds to avoid groupthink and ensure that optimal decision-making is achieved.

Immediately after their election, the member of the Board of Directors shall meet and shall elect, from among themselves, a Chairman of the Board of Directors and a President. They shall also

appoint, preferably not from among themselves, a Corporate Secretary, a Treasurer, and such other officers as may be needed to run the affairs of the Corporation.

2. *The Chairman, Chief Executive Officer (CEO)/President,*

The positions of the Chairman and the CEO shall, as far as practicable, be held by different individuals to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and the CEO upon their election.

(i) Chairman

The duties and responsibilities of the Chairman in relation to the Board shall include the following:

- (1) Ensure that the meetings of the Board are held in accordance with the By-laws or as the Chairman may deem necessary;
- (2) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, Management and the directors, and make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- (3) Maintain qualitative and timely lines of communication and information between the Board and Management;
- (4) Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- (5) Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- (6) Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- (7) Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and

- (8) Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

(ii) CEO/President

The CEO/President has the following roles and responsibilities, among others:

- (1) Formulate and implement the Company's strategic plan on the direction of the business guided by the strategic objective set by the Board;
- (2) Communicate and implement the Company's vision, mission, values and overall strategy and promote any organization or stakeholder change in relation to the same;
- (3) Oversee the operations of the Company's industry and market and keeps up-to-date with its core business purpose;
- (4) Direct, evaluate, and guide the work of the key officers of the Company;
- (5) Manage the Company's resources prudently and ensure a proper balance of the same;
- (6) Build the corporate culture and motivates the employees of the Company;
- (7) Provides the Board with timely information and interfaces between the Board and the employees;
- (8) Builds the corporate culture and motivates the employees of the Corporation; and
- (9) Serves as the link between internal operations and external stakeholders.

3. Qualifications and Disqualifications of a Director

Directors sitting on the Board must own at least one (1) share of stock of the Corporation and shall possess the necessary skills, competence and experience, in terms of management capabilities, and in the field of finance and other inter-related disciplines. Directors shall also be persons of integrity and credibility. Directors of the Corporation must possess all the qualifications and none of the disqualifications provided under the Revised Corporation Code, the SEC Code of Corporate Governance for Publicly-Listed Companies, and other relevant laws and regulations.

The Board may also provide for additional qualifications of Directors which include, among others, the following:

- (1) College education or equivalent academic degree;
- (2) Practical understanding of the business of the Corporation;
- (3) Membership in good standing in relevant industry, business or professional organizations; and
- (4) Previous business experience.

The following shall be permanently disqualified from being a director:

- (1) 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 their fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- (2) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to them under the Revised Corporation Code, SRC or any other law administered by the SEC, the Insurance Commission (IC) or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC, IC, 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 them from membership, participation or association with a member or participant of the organization;

- (3) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa,

counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

- (4) Any person who has been adjudged by final judgment or order of the SEC, 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 administered by the SEC, IC or BSP, or any of its rule, regulation or order;
- (5) Any person judicially declared as insolvent;
- (6) 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 enumerated in sub-paragraphs (1) to (5) above;
- (7) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of their election or appointment.

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

- (1) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during their incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- (2) Dismissal or termination for cause as director of any other public or publicly-listed corporation. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to their dismissal or termination.
- (3) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

4. Independent Directors

The Board shall have at least the minimum number of Independent Directors to comply with the relevant laws and regulations. The Independent Directors shall have all the qualifications and none of the disqualifications provided by the relevant laws, regulations, and Company policies.

The Independent Directors shall ensure the exercise of independent judgment on corporate affairs and proper oversight of managerial performance, including prevention of conflict of interests and balancing of competing demands of the corporation.

The Board shall endeavor to designate a Lead Independent Director from among its Independent Directors if the person elected as Chairman of the Board is not an Independent Director.

5. Nomination and Election of Directors

Any stockholder, including any minority stockholders, may nominate candidates for election to the Board of Directors by sending a nomination letter to the Corporate Governance Committee stating therein, among other things, the nominee's name, age, principal occupation, number of shares of the Corporation owned, and interests in and positions held in other corporations. The deadline for sending such nomination shall be determined by the Board.

The Corporate Governance Committee shall then determine whether the nominees have all the qualifications and none of the disqualifications pursuant to relevant laws, regulations, and Company policies. The list of nominees shall then be approved by the Board. The qualified nominees, together with their profiles, shall be disclosed to the stockholders prior to the relevant meeting where the election shall be held.

The election of directors from the list of qualified nominees shall be in accordance with the applicable laws and regulations on the voting of directors.

6. Mission and General Responsibility of the Board

This section highlights and sets the parameters in respect of the Board's duties.

On corporate philosophy, mission, and strategic and business plans.

The Board recognizes that it represents the stockholders' interest in having a successful business, including optimal long-term financial returns on their investments; thus, increased stockholders' wealth shall lie at the core of the Corporation's philosophy and mission.

The Board is equally aware of its obligations to its stockholders, customers, employees and other stakeholders. The diversified interests of these stakeholders shall be given due weights in approving the Corporation's philosophy and mission.

The Board establishes the general policies and guidelines which will enable Management to render an effective management of the Corporation, and as part of which undertakes to:

- formulate the Corporation's vision and mission;
- approve and confirm management's corporate strategies, major plan of actions, risk policy, annual budget and business plan, as recommended by Management;
- monitor the implementation of approved strategies and the Corporation's performance *vis-à-vis* targets and goals;
- adopt a succession plan, including the compensation, appointment and training of senior officers;
- review annually the Corporation's compliance with its Code of Corporate Governance, and amend the same if the need arise;
- approve corporate policies on major areas of operations, including underwriting, investments, and risk management;
- ensure the adequacy and effectiveness of the Corporation's internal control and management information systems; and
- review and report to the stockholders its own effectiveness in fulfilling its responsibilities.

7. Board Authority, Duties and Functions

The Board shall exercise its powers and authorities in accordance with the provisions of the Corporation's By-Laws, in addition to those provided by the Revised Corporation Code and other relevant laws of the Philippines. The duties and functions of the Board include the following:

- a.* Appoint competent, professional, honest and highly-motivated management officers. Adopt an effective succession planning program for Management;
- b.* Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- c.* Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices;
- d.* Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the Corporation's CEO or chief financial officer shall exercise oversight responsibility over this program;

- e. Identify the sectors in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- f. Adopt a system of check and balance within the Board and the Corporation. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness;
- g. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
- h. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, executives, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- i. Constitute an Audit and Risk Management Committee; a Corporate Governance Committee; Related Party Transactions Committee; and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- j. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;
- k. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;
- l. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations; and
- m. Appoint a Compliance Officer who shall, as far as practicable, have the rank of at least senior vice-president or an equivalent position. In the absence the Compliance Officer, the Corporate Secretary shall act as the Compliance Officer.

8. Specific Duties and Responsibilities of a Director

A Director's office is one of trust and confidence. A Director should act in the best interest of the Corporation 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 of the Corporation shall observe the following norms of conduct;

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not prejudice Board decisions;
- To devote time and attention necessary to properly discharge their duties and responsibilities;
- To act judiciously;
- To exercise independent judgment;
- To have working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies;
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's internal control system;
- To fully disclose their adverse interest, abstain from taking part in the deliberations for the same and recuse form voting on the approval of the transaction.

9. Financial Reporting, Disclosure, Transparency and Internal Control Responsibilities of the Board

Transparency is one of the core principles of corporate governance. To ensure better protection of stockholders and other stakeholders' rights, the full disclosure of the company's corporate governance policies, programs and procedures is imperative.

The Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, managements, and stockholders.

10. Board Meetings

The Board of Directors shall hold regular meeting on such dates and such times and places as the Board of Directors may determine.

Special meetings of the Board may be called at any time by the Chairman of the Board or, in his absence, by the President, or upon the request of a majority of the directors and shall be held at such places as may be designated in the notice

Directors shall have the duty of preparing and actively participating in board meetings. The members of the Board may attend board meetings in person or via teleconferencing or other alternative means conducted in accordance with the relevant law and regulations.

11. Board and Officers' Remuneration

The Board shall set compensation levels adequate to attract and retain qualified Directors.

Compensation for Directors shall be competitive and take into account the duties and other commitments imposed upon them. The Board shall establish a formal and transparent procedure for developing a policy on executive remuneration packages of Corporation officers and Directors, and provide oversight over remuneration of senior management and other key personnel ensuring the compensation is consistent with the Corporation's culture, strategy and control environment.

The Board should align the remuneration of key officers and board member with the long-term interests of the company/organization. In doing so, it should formulate and adopt a policy specifying the relationship between remuneration and performance.

Key considerations in determining proper compensation include the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director should participate in the determination of their own per diem or compensation; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

12. Board Committees

The Board shall constitute the proper committees to assist in good corporate governance.

i. Audit and Risk Management Committee

The Audit and Risk Management Committee shall be composed of at least three (3) Directors, preferably with accounting, auditing, and finance background, and such other qualifications as may be required under the applicable rules and regulations promulgated by the SEC and other relevant regulatory bodies. The Chairperson of the Audit and Risk Management Committee should not be the Chairperson of the Board or of any other committees.

The Audit and Risk Management Committee should meet at least once every quarter. Its main responsibilities include: recommending the appointment of external auditors whose report they review; monitoring the system of internal controls and corporate compliance with laws, regulations and code of ethics; serving as a direct channel of communications to the Board for the internal auditors.

The Audit and Risk Management Committee shall have the following functions:

- 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;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities, and monitors the Management's responsiveness to the internal auditor's findings and recommendations;
- Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- Perform oversight functions in making sure that there are well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguards the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.
- Evaluate and pre-approve the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with their duties as an external auditor or may pose a threat to their independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;
- Recommend the appointment and removal of an internal auditor as well as their qualifications, and grounds for appointment and removal. Establish and identify the reporting line of the Internal Auditor to enable them to properly fulfill their duties and responsibilities. He shall functionally report directly to the Audit and Risk Management Committee;

Audit and Risk Management Committee shall also:

- Perform oversight functions in the development of a formal enterprise risk management plan, oversee the implementation of such plan, and evaluates the plan to ensure its continued relevance, comprehensiveness and effectiveness;
- Advise the Board on its risk appetite levels and risk tolerance limits;
- Review the Company'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 when major events occur that are considered to have major impacts on the company;
- Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation.
- Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

ii. Corporate Governance Committee

The Corporate Governance Committee shall be composed of at least three (3) members, all of whom, including the Chairperson thereof, are preferably independent directors.

This committee shall:

1. Assist the Board in the performance of its corporate governance responsibilities in accordance with the relevant laws and regulations;
2. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board and provide assessment on the Board's effectiveness in directing the process of renewing and replacing Board members; and
3. Establish 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.

iii. Related Party Transactions Committee

The Related Party Transactions Committee shall be composed of at least three (3) Members, two (2) of whom, including the Committee Chairperson, are preferably independent directors. This committee shall be responsible for reviewing all material related party transactions of the company and shall be responsible for reviewing and proposing policies for related party transactions. This committee shall also be responsible for checking compliance with the related-party transactions policies as may be adopted by the Board.

This committee shall:

1. Help the Corporation's management institutionalize the Manual to ensure effective compliance with existing laws, rules and regulations at all times, and that Material RPTs, as defined in the Manual, are conducted on an arm's length basis, with no shareholder or stakeholder unduly disadvantaged;
2. To review all Material RPTs that cross the materiality threshold and write-off of material exposures to Related Parties, as well as any renewal or material changes in the terms and conditions of Material RPTs and present to the Board of Directors for approval in accordance with the Manual;
3. To have a process in place to continuously review and evaluate relationships between and among businesses and counterparties, and identify, measure, monitor and control risks arising from Material RPTs;
4. To ensure that senior management keeps an updated Related Party Registry and properly addresses legitimate issues on Material RPTs that are raised;
5. To oversee the integrity, independence, and effectiveness of the Whistleblowing Policy and its guidelines and procedures, and ensure that stakeholders who raise concerns relating to Material RPTs are duly protected from reprisals in accordance with the Whistleblowing Policy; and
6. To recommend to the Board to adjust the Materiality Threshold upon a determination of the risk of the RPT in causing damage to the Corporation and its shareholders.
7. To evaluate all RPTs to ensure that there are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;

13. The Corporate Secretary

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the corporation and should —

- (1) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, the stock and transfer book as well as the other official records of the corporation;
- (2) Be loyal to the mission, vision and objectives of the Corporation;
- (3) Work fairly and objectively with the Board, Management and stockholders;
- (4) Have appropriate administrative and interpersonal skills;
- (5) If they are not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of their duties and responsibilities;
- (6) Have a working knowledge of the operations of the Corporation;
- (7) Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (8) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so; and
- (9) Ensure that all Board procedures, rules and regulations are strictly followed by the members.

As far as practicable, no member of the Board of Directors shall be appointed as the Corporate Secretary.

14. The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board and shall perform the following duties:

- (1) Monitor compliance by the Corporation with this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- (2) Identify and monitor compliance with the rules and regulations of regulatory agencies, and take appropriate corrective measures to address all regulatory issues and concerns;
- (3) Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year and, if there are any deviations, explain the reason for such deviation; and
- (4) Prepare and submit to the DOE, ERC, DENR, BOI, BOC, SEC and other government agencies all reports or disclosures required by law and existing regulations.

As far as practicable, the Compliance Officer should be a separate individual from the Corporate Secretary.

D. Fiscal Responsibilities

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets. It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interests of the stockholders should be publicly and timely disclosed.

Such information should include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate exchange mechanisms and submissions to the SEC and other relevant regulatory body.

i. Financial Reporting, Disclosure, Transparency and Internal Control

- (1) Board has the fiduciary duty to protect shareholder value through adequate financial controls; thus, it shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and code of conduct.

- (2) The Board shall review timely and accurate disclosure on all material matters, including the financial condition, performance, ownership and governance of the Corporation. Fair, timely and cost-efficient access to relevant information shall be provided to all parties with legitimate interest in the Corporation.
- (3) The Board and management committee shall receive regular reports on all key aspects of the operations of the Corporation, which shall include analysis of premium growth, investment results, claims management and credit control, to provide a sound basis for assessing financial performance and condition, identifying real and potential problems and formulating appropriate policies and strategies.
- (4) The Board shall review faithful compliance with the financial and other reportorial requirements under the relevant laws and regulations.
- (5) The Board shall foster and encourage a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and code of conduct.

ii. Head of the Finance Division

Designated Accounting Officer and carries ultimate responsibility for the finances of the Corporation. In their review of the effectiveness of internal financial control system, he shall be aided by the internal auditor, the Audit and Risk Management Committee, senior officers responsible thereto, and the external auditor. As Accounting Officer, the Head of the Finance Division or the chief finance officer shall ensure propriety and regularity of the Corporation's finances, the keeping of property accounts, prudent and economical administration; and that the Corporation's Accounting manual and all current accounting standards set by professional accounting bodies are complied with.

iii. Accountability and Audit

1. Accountability

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

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

Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- The extent of Management's responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation should be maintained;
- On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- The Corporation should consistently comply with the financial reporting requirements of the SEC and other regulatory body;
- The external auditor should be rotated or changed every seven (7) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit and Risk Management Committee and the Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit and Risk Management Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that they conduct activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

2. External Auditor

- The Board, after consultations with the Audit and Risk Management Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on how the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor,

provided it does not conflict with their duties as an independent auditor, or does not pose a threat to their independence.

- If the external auditor resigns, is dismissed, or ceases to perform their services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between the external auditor and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.
- If the external auditor believes that any statement made in an annual report, information statement or any report filed with the SEC or any regulatory body during the period of their engagement is incorrect or incomplete, they shall give the appropriate comments or views on the matter in the said reports.

iv. Related Party Transactions (RPTs)

Overlapping interests in the Corporation shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed. RPT shall be disclosed fully to the Board. When required by relevant law or regulations, prior Board or stockholder approval shall be obtained for RPTs.

It is the Board's role to initiate policies and measures geared towards prevention of abuse and promotion of transparency, and in compliance with applicable laws and regulations to protect the interest of all shareholders. One such measure is the required ratification by shareholders of material or significant RPTs approved by the Board, in accordance with existing laws. Other measures include ensuring that transactions occur at market prices, at arm's-length basis and under conditions that protect the rights of all shareholders.

In cases where the Board and/ or stockholders' approval is required for RPTs, it is good practice for interested directors and/or stockholders, respectively, to abstain and let the disinterested parties decide.

The Board shall create a robust RPT Policy which shall contain the following:

- Definition of related parties;
- Coverage of the RPT/Material RPT policy;
- Guidelines in ensuring arm's-length terms;
- Identification and prevention or management of potential or actual conflicts of interest which arise;
- Adoption of materiality thresholds;

- Internal limits for individual and aggregate exposures;
- Whistle-blowing mechanisms; and
- Restitution of losses and other remedies for abusive RPTs.

E. Rights of Stockholders and Protection of Minority Stockholders' Interest

i. Rights of Stockholders

The Board shall respect and disclose the rights of the stockholders as provided in the Revised Corporation Code and/or its Articles of Incorporation, namely:

(1) Voting Right

Stockholders, including minority stockholders, have the right to vote on matters that require their consent or approval pursuant to the Revised Corporation Code, the Articles of Incorporation, By-laws, as well as resolutions adopted and approved by the Board of Directors.

(2) Right of Inspection

The records of all business transactions of the Corporation, including minutes of any meetings and stock registries, shall be made available for inspection of stockholders in accordance with the Revised Corporation Code. Stockholders shall also be provided with annual reports and financial statements.

(3) Right to Information

Stockholders shall have the right to be provided, upon request and for legitimate purposes, periodic reports filed by the Corporation to the SEC and other governmental bodies. These reports include personal and professional information of the Directors and officers, their shareholdings in the Corporation, aggregate remuneration of Directors, material transactions of the Corporation, and major corporate decisions that require stockholders' approval.

(4) Right to Dividends

Stockholders have to right to receive dividends declared by the Board of Directors, in accordance with the Revised Corporation Code, the Articles of Incorporation, and resolutions adopted and approved by the Board.

(5) Appraisal Right

Stockholders may exercise their appraisal right provided under the circumstances enumerated in the Revised Corporation Code.

ii. Duties of the Board of Directors

The Board of Directors shall encourage the active participation of stockholders by notifying stockholders of the Annual and Special Stockholders' Meetings with sufficient information before the date of the meeting. The Board of Directors shall also promote the rights of stockholders by making the procedure for the exercise of these rights known to stockholders and by providing them an avenue to seek timely redress in case of breach of their rights.

F. Sustainability and Social Responsibility

The Corporation shall be socially responsible with respect to its dealings and transactions with the community where it operates. It shall ensure that its operations comply with environmental laws, rules, and regulations. The Corporation shall promote a mutually beneficial relationship with stakeholders. This relationship shall foster the growth of the Corporation while it contributes to the advancement of the community and protection of the environment where it operates.

G. Communication, Dissemination, Monitoring and Sanctions

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

All Directors, executive, division and department heads are tasked to ensure that thorough dissemination of this Manual to all employees and to likewise enjoin compliance in the process.

i. Adequate and Timely Information

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

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by the Board to enable them to properly perform their duties and responsibilities. Hence, the members of the Board should be given independent access to Management and the Corporate Secretary.

The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense.

ii. Monitoring and Assessment

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual.

This Manual shall be subject to annual review by the Board.

iii. Penalties for Non-Compliance

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

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

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

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

H. Anti-Corruption Program

To promote integrity in the conduct of the Company's business and promote honesty and highest ethical standards among its stakeholders, it is considered best practice of Corporate Governance to fight corrupt practices such as bribery, fraud, extortion, collusion, conflict of interest, and money laundering, an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business. Anti-Corruption program may involve conducting a risk

analysis on a business unit to assess the potential for incidents of corruption within the unit and conducting training for employees on the company's policy and procedures on anti-corruption and effective management of ethical misconduct.

The Employee Code of Discipline provides the penalty of dismissal for receiving bribes, unauthorized commissions or anything of value, except for customary gifts during special occasions such as Christmas and birthdays, from a subordinate, client, contractor, supplier and allowing persons or firms with whom the Company does business with to seek preference, benefit or favorable condition.

Officers and employees as well as other relevant stakeholders should be able to communicate freely and responsibly any concern and knowledge they may have about illegal and unethical practices within the Company. Their right to freely communicate these matters to the Board or through proper channels should not be compromised in any way, without fear of any retribution, repercussion and retaliation. There could be effective speak up arrangements, such as anonymous helplines, through which employees, contractors and other third parties can raise concerns in confidence about unsafe, unethical or unlawful practices. Thus, there should be a strong whistle-blowing policy.

Report can be addressed to: *whistleblower@solarphilippines.ph*

To this end, there should be a procedural framework for the determination of the sufficiency of the allegation, a resolution process, disciplinary sanction and implementation of the management decision.