

**SPC POWER CORPORATION**  
**MANUAL ON CORPORATE GOVERNANCE**  
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This manual supersedes the previous Manual on Corporate Governance that was approved and adopted by the Corporation on July 24, 2015.

# **SPC POWER CORPORATION**

## **MANUAL ON CORPORATIE GOVERNANCE**

The Board of Directors and Management of SPC Power Corporation hereby commit themselves to the principles and guidelines contained in this Manual, and acknowledged that the same shall guide the attainment of its corporate goals.

### **1. OBJECTIVE**

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors 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 thereof within the organization.

### **2. COMPLIANCE SYSTEM**

#### **2.1 Compliance Officer**

2.1.1 To insure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer who shall hold the position of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance officer shall not be a member of the Board of Directors and should attend an annual training or corporate governance. He is primarily liable to the corporation and its shareholders and not to the Chairman or President of the company.

2.1.2 The Compliance Officer shall perform the following duties:

- Monitor compliance with the provisions and requirements of the rules and regulations of regulatory agencies and this Manual;
- Identify, monitor and control compliance risks;
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- Ensures the integrity and accuracy of all documentary submissions to regulations;
- Appear before the Securities and Exchange Commission (SEC) and other regulatory government agencies upon summon on matters that need to be clarified;

- Determine violation/s of the rules and regulations of regulatory agencies and the corporate governance Manual and recommend penalty/ies for such violation/s, subject to review and approval of the Board. Violations of other required internal process/controls and the code of ethics shall be dealt with in accordance with the prevailing internal rules and regulations;
  - Ensures proper onboarding of new Directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws among others);
  - Issue certification every January 30<sup>th</sup> of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s for such deviation, if any;
- 2.1.3 The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission under SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to the said 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 of Directors. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

#### **2.2.1.1 General Responsibility**

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 fiduciary responsibility, which it shall exercise in the best interest of the Corporation and its stockholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

The Board shall 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.

#### **2.2.1.2 Specific Duties and Functions**

To ensure a high standard of best practice for the Corporation and its stockholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- Install a process of selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest, and highly motivated management officers. Adopt an effective succession planning program for Management;
- 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;
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Identify the Corporation's major and other stockholders and formulate a clear policy on communicating or relating with them through an effective investor relations program. If feasible, the Corporation's President or Treasurer/Chief Financial Officer shall exercise oversight responsibility over the investor relations program;
- Identify the sectors in the community where the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely, and effective communication with them;
- Adopt a system of internal checks and balances. 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;
- Identify key risk areas and key 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;
- Properly discharge Board functions by meeting regularly. Independent views during the Board meetings shall be given due consideration and all such meetings shall be duly recorded;
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations;
- 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;

- 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, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- 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;
- Appoint a Compliance Officer who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation, and
- Establish a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

#### 2.2.1.3 Specific Duties and Responsibilities of a Director

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

A director shall have the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions and does not conflict with the interests of the corporation;
- To devote time and attention necessary to properly discharge his duties and responsibilities;
- To act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decision;
- To exercise independent judgment;
- To have a 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 Commission and, where applicable, the requirements of other regulatory agencies having jurisdiction over the corporation, and keep abreast with industry developments and business trends;

- To observe and safeguard confidentiality of non-public information acquired by reason of his position as a director; and
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's internal control environment.

#### 2.2.1.4 Composition of the Board

The Board shall be composed of such number of directors as indicated in the Articles of Incorporation. The Board should be composed of a majority of non-executive Directors. There should at least be three independent directors elected to the Board or such number as to constitute at least one-third of the members of the Board whichever is higher. The directors elected in the annual meeting of the stockholders shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board occurring for any reason other than by removal of a Director by the stockholders or by expiration of term may be filled by vote of at least a majority of the remaining Directors if still constituting a quorum. A Director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

#### 2.2.1.5 Qualifications for Directorship

- Must own at least one (1) share of stock of the Corporation;
- Must have a college education or equivalent academic degree;
- Must have practical understanding of the business of the corporation or previous business experience;
- Must be at least twenty one (21) years old;
- Must possess integrity and probity; and
- Must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must have issued an undertaking to attend such a seminar as soon as practicable.

#### 2.2.1.6 Grounds for Disqualification from Directorship

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

- Any person finally convicted by final judgment or order of 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; (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;

The disqualification shall also apply if such person 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, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or any rule or regulation issued by the Commission or the 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 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;
- Any person who has been adjudged by final judgment or order of the Commission, or a court, or competent administrative body to have willfully violated, willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the

Commission or the BSP, or any rule, regulation or order of the Commission or the BSP;

- Any person earlier elected as independent director who becomes an officer employee or consultant of the same corporation;
- Any person judicially declared to be insolvent;
- Any person guilty of final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts violations or misconduct listed in the foregoing paragraphs; and
- Conviction 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.

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

- Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- Absence in more than fifty (50) percent of all regular and special meetings of the Board during his 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. This disqualification applies for purposes of the succeeding election;
- Dismissal or termination from directorship in another listed corporation for cause. This disqualifications shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- An independent director whose beneficial equity ownership in the corporation or its subsidiaries or affiliates exceeds two percent (2%) of the subscribed capital stock is temporarily disqualified until his beneficial equity ownership reverts to the two (2%) limit; and
- Conviction that has not yet become final referred to in the grounds for the permanent disqualification of directors.

A temporary 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.

#### 2.2.1.7 The Independent Director



2.2.1.7.1 An Independent Director is a critical component of the board to ensure full compliance to the principles of corporate governance in the Board. There should at least be 3 independent directors elected to the Board or such number as to constitute at least one-third of the members of its Board, whichever is higher.

The Board's independent directors should serve for a maximum cumulative term of nine years. In the instance the company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

#### 2.2.1.7.2 Qualifications of an Independent Director

1. Is not a director or officer of the corporation or any of its related corporations or any of its substantial shareholders (other than as an independent Director of any of the foregoing);
2. Is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the corporation, or any of its related corporations or of its majority corporate shareholders;
3. Is not a relative of any director, officer or substantial shareholder of the corporation or any of its relevant corporations or any of its substantial shareholders. For this purpose, "relatives" includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
4. Is not acting as a nominee or representative of any director or substantial shareholder of the corporation or any of its related corporation or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;
5. Has not been employed in any executive capacity by the corporation or any of its related corporations or any of its substantial shareholders within the last three (3) years;
6. Is not retained or, within the last three (3) years, has not been retained as a professional adviser by the corporation or by any of its related corporations or any of its substantial shareholders, either personally or through his firm;
7. Has not engaged and does not engage in any transaction with the corporation or any of its related corporations or any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a corporation which he is a director or

substantial shareholder, other than transactions which are conducted at arm's length and are immaterial;

To qualify for nomination as an Independent Director, a person must possess all of the qualifications and have none of the disqualifications for directorship in the Company as set forth in Section 2.2.1.5 and Section 2.2.1.6, respectively, and must meet the independence criteria enumerated above and such other criteria provided under applicable law or regulation or determined by the Board of Directors or the Nomination committee.

#### 2.2.1.8 Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number shall take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

The Chief Executive Officer ("CEO") and other executive directors may be covered by lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

#### 2.2.1.9 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) a 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 minimum internal control mechanisms for the performance of the Board's oversight responsibility include:

- Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
- Selection of the person who possesses the ability, integrity, and expertise essential to the position of CEO;
- 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.

#### 2.2.1.10 Board Meetings

The Board shall schedule and hold regular meetings in accordance with its By-laws and convene for special meetings when business exigencies so require. The notice and agenda of the meeting shall be furnished to the Directors at least five working days in advance prior to each meeting, every such meeting must be duly minuted.

The members of the Board shall attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, to promote transparency, the Board may require the presence of at least one independent director in all its meetings.

To monitor the directors' compliance with the attendance requirements, the corporation shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the director's record of attendance in Board meetings.

#### 2.2.1.11 Remuneration of Directors and Officers

The levels of remuneration of the corporation shall be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The corporation may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director shall participate in deciding on his remuneration. Directors shall not receive any compensation unless such compensation is granted by a vote of the stockholders representing at least a majority of the outstanding capital stock of the corporation.

The corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation paid, directly or indirectly, to its directors and

management officers during the preceding fiscal year.

## **2.2.2 Board Committees**

To aid in complying with the principles of good corporate governance, the Board shall constitute the following committees:

### **2.2.2.1 Audit committee**

2.2.2.1.1 An audit committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent director. The Chairman of the audit committee should not be the Chairman of the Board or of any other committees. All members of the committee must have relevant background, knowledge, skills and/or experience in areas of accounting, auditing and finance..

#### **2.2.2.1.2 Duties and Responsibilities**

- Check all financial reports against its compliance with the pertinent accounting standards, including requirements, laws, rules and regulations.
- 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.
- Perform oversight/overview financial management functions, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
- Pre-approve all audit plans.
- Perform direct interface functions with the internal and external auditors. Perform oversight functions over the Corporation's internal and external auditors. It shall ensure that the internal and external auditors act independent from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable to perform their respective audit functions.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation.
- The Audit Committee shall meet with the External Auditor and the Internal Auditor without the presence of the Corporation's

management at least annually.

- The Audit Committee shall ensure that a review of the effectiveness of the Corporation's material internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. Such review can be carried out by the internal and/or external auditors.
- Review the annual financial statements before their submission to the Board, with particular focus on the following matters:
  - a. Any change/s in accounting policies and practices
  - b. Major judgmental areas
  - c. Significant adjustments resulting from the audit
  - d. Going concern assumptions
  - e. Compliance with accounting standards
  - f. Compliance with tax, legal, and regulatory requirements
- 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.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit.
- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Review the reports submitted by the internal and external auditors.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to 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.
- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall report directly to the Audit Committee.
- Shall perform the functions of a Board Risk Oversight Committee and

Related Party Transactions Committee as defined in the Code of Corporate Governance for Publicly Listed companies.

The Audit Committee shall ensure that, in the performance of the work of Internal Auditor, he shall be free from interference by outside parties.

#### **2.2.2.2 Corporate Governance Committee**

2.2.2.2.1 A corporate governance committee shall be composed of at least three members, all of whom should be independent directors, including the Chairman.

The corporate governance committee should be tasked to assist the Board in the performance of its corporate governance responsibilities. It is tasked with ensuring compliance with and proper observance of corporate governance principles and practices.

##### **2.2.2.2.2 Duties and Responsibilities**

- Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Recommends continuing education/training programs for directors, assignment of tasks/projects to board members and senior officers, and remuneration packages for corporate and individual performance;
- Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Proposes and plans relevant trainings for the members of the Board;
- Perform the functions of a Nomination and Remuneration Committee.

### **2.2.2.3 Executive Committee**

2.2.2.3.1 An executive committee shall be composed of at least five (5) members of the Board who shall directly manage business operations in between meetings of the board of directors.

2.2.2.3.2 The executive committee may act by majority vote of all its members on such specific matters within the competence of the Board, as may be delegated to it in the By-laws or majority vote of the Board except with respect to:

- (1) Approval of any action for which shareholders' approval is also required;
- (2) The filling up of vacancies in the board;
- (3) The amendment or repeal of by-laws or the adoption of new by-laws;
- (4) The amendment or repeal of any resolution of the Board; and
- (5) Declaration / distribution of cash dividend to the shareholders.

### **2.2.2.4 Charters**

- (a) Each Board Committee shall have a Charter which shall define and govern, among other matters, its purposes, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedures for escalation to the Board decisions of such Board Committee.
- (b) The respective Charters of the Board Committees shall be approved by the Board and shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by the Board.

### **2.2.3 The Chairman and Chief Executive Officer**

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

If the position of Chairman and CEO are unified, the Board shall implement the proper checks and balances to ensure that the Board gets the benefit of independent view and perspectives.

2.2.3.1 The duties and responsibilities of the Chairman in relation to the

Board include:

- (a) Ensure that meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary;
- (b) Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management, and the directors;
- (c) Provide leadership for the Board and ensure that the board works effectively and performs its duties responsibly; and
- (d) Maintain qualitative and timely lines of communication and information between the Board and Management.

2.2.3.2 The duties and responsibilities of the chief executive officer:

- (a) Provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board.
- (b) Ensure that operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.
- (c) Provide the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis.

## **2.2.4 The Corporate Secretary**

2.2.4.1 The Corporate Secretary should be a separate individual from the Compliance officer. He should not be a member of the Board of Directors and should annually attend training on corporate governance.

The Corporate Secretary is primarily responsible to the corporation and its shareholders, and not to the Chairman or President of the Company,

### **2.2.4.2 QUALIFICATIONS**

- (a) The Corporate Secretary is an officer of the Corporation who shall possess high integrity.
- (b) The Corporate Secretary shall be loyal to the mission, vision and specific business objectives of the corporate entity.



- (c) The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.
- (d) Considering his varied functions and duties, he must possess administrative and interpersonal skills.
- (e) If the Corporate Secretary is not the general counsel, he must be familiar with basic laws, rules and regulations governing corporations. He must also have some financial and accounting skills.

#### 2.2.4.3 Duties and Responsibilities

- (a) Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- (b) Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- (c) Attend all Board meetings and maintain records thereof. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Corporation.
- (d) Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.
- (e) Work fairly and objectively with the Board, Management and stockholders.
- (f) Have a working knowledge of the operations of the corporation.
- (g) Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five working days in advance and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- (h) Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so.
- (i) Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- (j) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and

- (k) Performs such other duties and responsibilities as may be provided by the SEC.

## **2.2.5 External Auditor**

### **2.2.5.1 Selection / Appointment / Resignation / Dismissal**

- (a) The Board, after consultation with the Audit committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.
- (b) If the external auditor believes that any statement made in an annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in said reports.
- (c) An external auditor shall enable the Corporation to attain an environment of good corporate governance as reflected in the financial records and reports of the Corporation. An external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- (d) The reason/s for the resignation, dismissal or cessation from service, and the date thereof, of an external auditor shall be reported in the Corporation's annual and current reports. Such report shall include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
- (e) The external auditor of the Corporation shall not at the same time provide the services of an internal auditor. The Corporation shall ensure that other non-audit work shall be not in conflict with the functions of the external auditor.
- (f) The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

## **2.2.6 Internal Auditor**

### **2.2.6.1 Internal Audit Functions**

- (a) 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 stockholders shall be provided with reasonable assurance that its

key organizational and procedural controls are effective, appropriate, and complied with.

- (b) The Internal Auditor shall report to the audit Committee.
- (c) 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.
- (d) The minimum internal control mechanisms for operational management shall center on the CEO, being ultimately accountable for the corporation's organizational and procedural controls.
- (e) The internal auditor shall be free from interference by outside parties.
- (f) The internal auditor shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities, and performance relative to the audit plans and strategies approved by the Audit committee. The annual report shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.
- (g) On the basis of the approved audit plans, internal audit examination shall 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.
- (h) The internal auditor shall certify that he conducts his 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.

### **3. COMMUNICATION PROCESS**

- 3.1 This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.
- 3.2 All directors, executives, 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 therewith in the process.

- 3.3 An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, 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 CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- 4.2 The Corporation shall implement the appropriate communication and training program for the Directors, Officers, Executives and Employees, including corporate governance education program for the Board to ensure the effective implementation of this Manual.

#### **5. REPORTORIAL OR DISCLOSURE SYSTEM OF THE 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 can potentially affect share price, shall be publicly disclosed. Such information shall include 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 procedures for corporate (company) announcements as well as through the annual report.
- 5.5 The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stockholders.

#### **6. SHAREHOLDERS' BENEFIT**

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as a governance covenant between the Corporation and all its investors:

- 6.1 Rights of Investors/Minority Interests

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

#### 6.1.1 Voting Right

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

6.1.1.2 Cumulative voting shall be used in the election of directors.

6.1.1.3 A director shall not be removed without cause if it will deny minority stockholders representation in the Board.

#### 6.1.2 Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of stockholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

#### 6.1.3 Power of Inspection

All stockholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation code and shall be furnished with the annual reports, including financial statements, without cost or restrictions.

#### 6.1.4 Right to Information

6.1.4.1 The Stockholders shall be provided, upon request, with periodic reports which will disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.

6.1.4.2 The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

6.1.4.3 The minority stockholders shall have access to any and all information relating to matters for which the management is accountable, and to those relating to matters which the management is required to include in such information and, if not included, entitle the

minority stockholders to propose inclusion thereof in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

#### 6.1.5 Rights to Dividends

6.1.5.1 Stockholders shall have the right to receive dividends subject to the discretion of the Board.

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

#### 6.1.6 Appraisal Right

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporate Code; and
- In case of merger or consolidation.

6.1.7 The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the Corporation's By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

6.1.8 It shall be the duty of the directors to promote stockholders' rights, remove impediments to the exercise of stockholders' rights and allow

possibilities to seek redress for violation of their rights. They shall encourage the exercise of stockholders' voting rights and the solution of collective action to problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and /or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions, subject to legal constraints.

## **7. MONITORING AND ASSESSMENT**

- 7.1 Each Committee 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 Corporation'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 quarterly review, unless the frequency of review is amended by the Board.
- 7.5 All business processes and practices being performed within any department or business unit of SPC Power Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant extent.


## **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 notice and hearing, on the Corporation's directors, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provisions 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 a third violation, the maximum penalty for 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 or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
- 8.3 The Compliance Officer shall be responsible for determining violation/s, after notice and hearing, shall recommend to the Chairman of the Board the imposable penalty for such violation, subject to further review and approval of the Board.



**Reynante C. del Rosario**  
Compliance Officer



**ALFREDO L. HENARES**  
Chairman of the Board