

26 March 2025

Philippine Dealing & Exchange Corp.

29th Floor, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **ATTY. SUZY CLAIRE R. SELLEZA**
Head - Issuer Compliance and Disclosure Department

Re: SMC Tollways Fixed Rate Bonds Series A due 2030
SMC Tollways Fixed Rate Bonds Series B due 2031
SMC Tollways Fixed Rate Bonds Series C due 2034
SEC Form 20-IS (Preliminary Information Statement for Annual or Special
Stockholders' Meeting)

Gentlemen:

In compliance with the Philippine Dealing & Exchange Corp. ("PDEX") guidelines, please find enclosed copy of our disclosure to Securities and Exchange Commission on March 26, 2025.

Very truly yours,


RAOUL EDUARDO C. ROMULO
Corporate Information Officer

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Atty. Mary Rose S. Tan

Contract Person

(632) 8632-3000

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

Form 20-IS
(Preliminary)

FORM TYPE
(amended)

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Month

1 st Tuesday

Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring This Doc.

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Amended Articles Number/Section

Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

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Foreign

To be Accomplished by SEC Personnel Concerned

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April 10, 2025

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 6, 2025

The Annual Meeting of the Stockholders of **SMC TOLLWAYS CORPORATION** will be held on **May 6, 2025 (Tuesday) at 3:25 p.m.** which will be presided by the Chairman at the principal office of the Corporation. Stockholders are requested to attend through online videoconferencing.

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 9, 2024
3. Report to Stockholders
4. Approval of the 2024 Audited Financial Statements
5. Re-election of Independent Director
6. Election of the Board of Directors
7. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
8. Appointment of External Auditor
9. Other Matters
10. Adjournment


Mary Rose S. Tan

Assistant Corporate Secretary and
Compliance Officer

RATIONALE AND BRIEF DISCUSSION OF THE AGENDA OF THE 2025 ANNUAL STOCKHOLDERS' MEETING

1. Certification of Notice and Quorum

a. Call to Order

The Chairman of the Board of Directors (or the Chairman of the meeting, as the case may be) (the "Chairman") will call the meeting to order.

b. Notice and quorum

The Corporate Secretary (or the Secretary of the meeting, as the case may be) (the "Secretary") will certify the date when the written notice of the 2025 Annual Stockholders' Meeting was sent to the stockholders.

The Corporate Secretary will also certify the presence of a quorum, which under the Company's Amended By-laws, consists of at least fifty percent (50%) plus one share of the outstanding capital stock being present or represented at the meeting.

c. Voting and voting procedure

A stockholder may vote the number of common shares held in his name in the Company's stock and transfer book as of April 14, 2025. Holders of common shares have the right to vote on all matters requiring stockholders' approval, and are entitled to vote at the meeting by submission of the ballots or proxies in accordance with the procedure set forth in the Notice.

Every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Company, on all items on the Agenda except for the election of directors, as set forth in the next paragraph.

With respect to the election of directors, a stockholder may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of common shares owned by him as indicated in the books of the Company multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company computed as follows: number of common shares held on record as of record date multiplied by seven (7) directors.

The counting of votes shall be done by the Corporate Secretary or Assistant Corporate Secretary, as the case may be.

2. Approval of the Minutes of the Annual Stockholders' Meeting held on July 12, 2024.

A copy of the Minutes of the Annual Stockholders' Meeting held on July 12, 2024 is included in this Preliminary Information Statement (attached as "**Exhibit 6**") and is available for viewing in the Company's website www.smctollways.com.ph. The stockholders will be requested to approve the Minutes of the 2024 Annual Stockholders' Meeting.

3. Report to Stockholders

The Management of the Company shall deliver the report of the performance of the Company as of 31 December 2024 to the stockholders. A copy of the same will also be furnished to the stockholders prior to the stockholders' meeting.

4. Approval of the 2024 Audited Financial Statements

The Management of the Company will also deliver the financial reports and financial statements of the Company as of 31 December 2024 and present the same for the approval of the stockholders of the Company.

5. Re-election of Independent Director

Pursuant to Section 2.2.1.6.2 of the Manual on Corporate Governance, the Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should be perpetually barred from re-election in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek stockholders' approval during the annual stockholders' meeting.

6. Election of the Board of Directors

Pursuant to the Company's Manual on Corporate Governance, the Corporate Governance Committee pre-screened and evaluated the qualifications of the nominees.

The seven (7) nominees as set out in this Information Statement will be submitted for election to the Board of Directors by the stockholders at the 2025 Annual Stockholders' Meeting. The profiles of the nominees, as well as the certification of their qualifications are provided in this Information Statement.

7. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

The acts and proceedings of the Board of Directors and corporate officers since the 2024 Annual Stockholders' Meeting, as reflected in the minutes of the meetings, are set out in this Information Statement. The acts of management and corporate officers were taken in furtherance of the conduct of the business of the Company and in the implementations of the matters approved by the Board of Directors. The relevant disclosures relating thereto were submitted to the SEC and the Philippine Dealing & Exchange Corp and are posted on the Company's website www.smctollways.com.ph.

8. Appointment of External Auditors

The Audit and Risk Oversight Committee shall endorse the re-appointment of Reyes Tacandong & Co. as the external auditor of the Company for the year 2025. The relevant background and description on the extent of the audit services, tax advisory, and other related services rendered by the external auditor, including their fees, are provided in this Preliminary Information Statement.

The stockholders will be requested to approve the re-appointment of Reyes Tacandong & Co. for the year ended 31 December 2025.

9. Other Matters

The Chairman will inquire whether there are other relevant matters and concerns to be discussed. The Chairman shall accordingly respond to other matters that may be raised by the stockholders.

10. Adjournment

Upon determination that there are no other relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

Appendix 1

PROCEDURE FOR THE 2025 ANNUAL STOCKHOLDERS' MEETING OF SMC TOLLWAYS CORPORATION THROUGH VIDEO CONFERENCE

1. The Chairman shall preside over the 2025 Annual Stockholders' Meeting at its principal office.
2. Stockholders of record as of April 14, 2025 who intend to attend the meeting through video conference are requested to notify the Company by email to corsec.mrst@sanmiguel.com.ph by May 2, 2025.
3. Only the stockholders who have notified the Company of their intention to participate through video conferencing as above-described and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance at the meeting.
4. On May 2, 2025, the Assistant Corporate Secretary shall inform the stockholders of the password for the online videoconferencing either by email and/or SMS.
5. On May 6, 2025 at 3:00 p.m., the stockholders participating via online videoconferencing may enter through the password provided.
6. Votes of all stockholders will be cast through ballots or proxies submitted on or before May 6, 2025. A sample of the ballot and proxy is included in this Information Statement.
7. All ballots and proxies should be received by the Corporate Secretary on or before May 6, 2025 by email sent to corsec.mrst@sanmiguel.com.ph or by mail sent to the Office of the Corporate Secretary at the 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City.
8. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its corporate secretary's certification stating the representative's authority to represent the corporation in the meeting.
9. The nominees for election to the Board were submitted in writing to the Board of Directors through the Corporate Secretary. The Corporate Governance Committee was tasked to pre-screen and evaluate the qualifications of the nominees in accordance with the Amended Manual on Corporate Governance of the Company.
10. The voting procedure for all items in the Agenda, including the election of the members of the Board, are set out in this Information Statement.
11. Stockholders may send their questions and/or comments during the meeting, or prior thereto by email to corsec.mrst@sanmiguel.com.ph. Questions and comments may also be written in the space provided in the sample ballot/proxy form.
12. The proceedings of the meeting will be recorded.

Should you have questions or requests for clarification on the procedure for the 2025 Annual Stockholders' Meeting, please email them to corsec.mrst@sanmiguel.com.ph.

ANNUAL STOCKHOLDERS' MEETING
6 May 2025
3:25 p.m. via video conference
("2025 Annual Stockholders' Meeting")

Please mark as applicable:

☐ **Vote by ballot:** The undersigned stockholder of SMC TOLLWAYS CORPORATION (the "Company") casts his/her vote on the agenda items for the 2025 Annual Stockholders' Meeting, as expressly indicated with the "X" below in this ballot.

☐ **Vote by proxy:** The undersigned stockholder of the Company hereby appoints _____ or, in his/her/its absence, the Chairman of the meeting, as attorney and proxy, to represent and vote all the shares registered in his/her/its name at the 2025 Annual Stockholders' Meeting and any of its adjournment(s), as fully as the undersigned can do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below. If the undersigned fails to indicate his/her/its vote on the agenda items specified below, his/her/its proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 1, and a "FOR" vote for proposals 2 through 6.

PROPOSAL	ACTION			
	VOTE FOR ALL	WITHHOLD FOR ALL	VOTE ONLY FOR	FULL DISCRETION OF PROXY FORM (IF FORM USED AS PROXY)
1. Election of Directors				
The nominees are: a. Ramon S. Ang b. John Paul L. Ang c. Aurora T. Calderon d. Lorenzo G. Formoso III e. Jose C. Laureta f. Margarito B. Teves (<i>Independent Director</i>) g. Martin S. Villarama, Jr. (<i>Independent Director</i>)			a. b. c. d. e. f. g.	
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2024 Annual Stockholders' Meeting				
3. Approval of the Report to Stockholders				
4. Approval of the 2024 Audited Financial Statements				
5. Re-election of Independent Director				
6. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers				
7. Appointment of External Auditor for 2025				

Signed this ____ day of _____ 2025 at _____.

 Printed Name of Stockholder

 Signature of Stockholder/Authorized Signatory

Questions/Comments to the Board of Directors and/or Management

NOTE: This ballot/proxy should be received by the Office of the Corporate Secretary on or before May 6, 2025 by e-mail sent to corsec.mrst@sanmiguel.com.ph or by mail sent to the Office of the Corporate Secretary at 11/F San Miguel Properties Centre. This ballot/proxy, when properly executed, will be voted in the manner as marked/directed herein by the stockholder. If no direction is made in the proxy, such proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the management or the Board of Directors. A stockholder giving a proxy has the power to revoke it either in an instrument in writing duly presented to and recorded with the Corporate Secretary at least five (5) days prior to the 2025 Annual Stockholders' meeting. Notarization of this proxy is not required. For an individual, his/her ballot/proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by a certification issued by its corporate secretary setting the representative's authority to represent the corporation in the 2025 Annual Stockholders' Meeting ("Secretary's Certificate"). Validation of ballots and proxies will be on May 7, 2025 at 3:00 p.m. at the above-mentioned address of the Office of the Corporate Secretary. For ballots, proxies and Secretary's Certificates sent to the Office of the Corporate Secretary via email, the hard copies of the ballots, proxies, and notarized Secretary's Certificate should be immediately sent to the Office of the Corporate Secretary as soon as reasonably possible.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[☒] Preliminary Information Statement
[☐] Definitive Information Statement
2. Name of Registrant as specified in its charter **SMC TOLLWAYS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization **Philippines**
4. SEC Identification Number **CS201310694**
5. BIR Tax Identification Code **008-547-087**
6. Address of principal office Postal Code
11th Floor San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City 1550
7. Registrant's telephone number, including area code **(02) 8702 4833**
8. Date, time and place of the meeting of security holders
Tuesday, May 6, 2025, at 3:25 p.m., via remote communication
9. Approximate date on which the Information Statement is first to be sent or given to security holders
April 10, 2025
10. **In case of Proxy Solicitations:** **N/A**
Name of Person Filing the Statement/Solicitor: _____
Address and Telephone No.: _____
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding |
|---------------------|---|
| _____ | _____ |
| _____ | _____ |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes [☐] No [☒]
If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
N/A

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

The annual stockholders meeting of **SMC Tollways Corporation** (the “Company” or “SMC Tollways”) will be held on **May 6, 2025**, at **3:25 p.m.** via remote communication. The procedure and further details of attendance are set forth in Annex “A” of the Notice and Agenda to the Annual Stockholders’ Meeting.

The complete mailing address of the principal office of the registrant, or SMC SLEX Inc. (the “Company”), is **11th Floor San Miguel Properties Centre, 7 St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila, Philippines.**

The information statement is first to be sent to the stockholders on April 14, 2025. The information statement, together with its attachments will be available at the Company’s website.

YOU ARE NOT REQUESTED TO SEND US A PROXY.

Revocability of Proxies

A person giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked through any of the following means: (1) filing with the Corporate Secretary, at least ten (10) working days before the scheduled meeting, a written notice revoking it; or (2) attending the meeting and voting in person. Mere attendance at the meeting will not automatically revoke a proxy.

Item 2. Dissenters' Right of Appraisal

Under Section 80, Title X of the Revised Corporation Code of the Philippines (“RCC”), stockholders who dissent from and vote against the listed corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action (“Right of Appraisal”). The corporate matters or actions to be presented for approval at the annual meeting of the stockholders are not among those corporate actions that entitles dissenting stockholders to exercise the Right of Appraisal.

SOLICITATION INFORMATION

The Company is not soliciting proxies. A proxy form is provided to the stockholders of the Company and included in this Information Statement.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company, or any of their associates, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in the matters to be acted upon in the meeting, other than their election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose the action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of securities entitled to vote

As of March 26, 2025¹, the Company has only one (1) class of security consisting of 69,538,459 issued and outstanding common shares of stock, all of which are entitled to vote. Of the total issued and outstanding common shares of stock, one hundred percent (100%) is owned by Atlantic Aurum Investments B.V. (“AAIBV”), a company incorporated in the Netherlands.

The activity undertaken by the Company is not among those listed in the 12th Regular Foreign Investment Negative List which restricts foreign ownership.

(b) Determination of security holders entitled to vote

The record date for the determination of security holders entitled to vote is April 14, 2025. Only stockholders of record at the close of business on April 14, 2025 will be entitled to vote at the meeting.

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy, one (1) vote for each share of stock registered in his name in the books of the Company. However, with respect to the election of directors in accordance with Section 23 of the RCC, a stockholder may vote the number of common shares held in his name in the Company’s stock and transfer books as of **April 14, 2025**, and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle as among many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

(c) Election of directors and cumulative voting rights

The Company has seven (7) Board seats, two (2) of which are for the independent directors, who are nominated and elected pursuant to the requirements of the Manual on Corporate Governance of the Company.

In accordance with the Company’s By-Laws, all proxies must be in the hands of the Secretary before the time set for the meeting. No solicitations are made for the election of directors.

(d) Information required by Part IV paragraph (C) of “Annex C” to the extent known by the persons on whose behalf the solicitation is made

(C) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Below is the entity who is known to the Company to be directly or indirectly the record and/or beneficial owner of more than five percent (5%) of the Company’s issued and outstanding common shares as of March 26, 2025²:

Title of class	Name, Address of Record Owner and Relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Atlantic Aurum Investments B.V. Weerdestein 97, 1083 GG, Amsterdam Parent of Issuer	Beneficial and record owner	Dutch	69,538,459 ¹	1000%

¹Inclusive of five (5) shares held by its individual nominees and two (2) shares held by the Independent Directors to qualify them to the Board of Directors.

The table below shows all the stockholders of record of the Company, including the stockholders holding one (1) qualifying share each as of March 26, 2025³:

Title of class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship	Citizenship	No. of Shares Held	Percent
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¹ In the Definitive Information Statement (DIS), this will be changed to April 10, 2025.

² In the DIS, this will be changed to April 10, 2025.

³ In the DIS, this will be changed to April 10, 2025.

		with Record Owner			
Common	Atlantic Aurum Investments B.V. Weerdestein 97, 1083 GG, Amsterdam Parent of Issuer	Beneficial and record owner	Dutch	69,538,459	1000%
Common	Ramon S. Ang 671 Notre Dame St. Wack Wack Subdivision, Mandaluyong City Stockholder/Director	Record owner ¹	Filipino	1	nil
Common	John Paul L. Ang 780 Harvard St. Wack Wack Village, Mandaluyong City Stockholder/Director	Record owner ¹	Filipino	1	nil
Common	Aurora T. Calderon 27 Carrot Street, Valle Verde 5, Pasig City Stockholder/Director	Record owner ¹	Filipino	1	nil
Common	Lorenzo G. Formoso III Unit 5 Two Dover View 620 Lee Street, Mandaluyong City Stockholder/Director	Record owner ¹	Filipino	1	nil
Common	Jose C. Laureta 5 Mapayapa Street, UP Village, Diliman, Quezon City Stockholder/Director	Record owner ¹	Filipino	1	nil
Common	Margarito B. Teves 411 Ambuklao St., Ayala Alabang Village, Muntinlupa City Stockholder/Independent Director	Record owner ¹	Filipino	1	nil
Common	Martin S. Villarama, Jr. 22 Golden St., Gloria 1 Subdivision, Tandang Sora, Quezon City Stockholder/Independent Director	Record owner ¹	Filipino	1	nil

¹Qualifying share to qualify the stockholder for election to the Board of Directors; held in trust for AAIBV.

The natural persons authorized to vote the shares of AAIBV are Ramon S. Ang or Lorenzo G. Formoso III.

(2) Security Ownership of Management

None of the individual directors, executive officers and nominees of the Company beneficially own any of the Company's issued and outstanding common shares, nor do any of them have the right to acquire beneficial ownership. The individual common shares registered in the names of the directors of the Company are all qualifying shares, and are held by them in trust for the nominating principal shareholder as of March 26, 2025⁴, as follows:

Title of class	Name of Director	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ramon S. Ang	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	John Paul L. Ang	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Aurora T. Calderon	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Lorenzo G. Formoso III	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Jose C. Laureta	One (1) share held in trust for AAIBV (direct)	Filipino	nil
Common	Margarito B. Teves	Independent director; one (1) qualifying share taken from AAIBV (direct)	Filipino	nil
Common	Martin S. Villarama, Jr.	Independent director; one (1) qualifying share taken from AAIBV (direct)	Filipino	nil
	Aggregate number of shares	Seven (7)		

(3) Voting Trust Holders

There are no voting trust holders of any common shares that are registered in the books of the Company.

(4) Changes in Control

There are no arrangements which may result in a change in control of the Company.

⁴ In the DIS, this will be changed to April 10, 2025.

Item 5. Directors and Executive Officers

(A) Directors, Executive Officers, Promoters and Control Persons

(1) Directors, including Independent Directors, and Executive Officers, with the required information

The names of the incumbent Directors, independent Directors, and executive officers of the Company, ages, citizenship, directorships in other reporting companies and positions as of March 26, 2025⁵, all of whom are nominees for re-election as directors at the stockholders' meeting are as follows:

Name	Age	Citizenship	Position
Ramon S. Ang	71	Filipino	Chairman and President
John Paul L. Ang	45	Filipino	Director
Aurora T. Calderon	70	Filipino	Director
Lorenzo G. Formoso III	63	Filipino	Director
Jose C. Laureta	93	Filipino	Director
Margarito B. Teves	81	Filipino	Independent Director
Martin S. Villarama, Jr.	79	Filipino	Independent Director

Ramon S. Ang, Filipino, 71, was appointed as Chairman and President of the Company, respectively on June 24, 2013 and December 14, 2020. He is also the Chairman and Chief Executive Officer of SMC. He has been a director of the Company since June 7, 2013. He also holds, among others, the following positions in other listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. and Petron Corporation; Chairman of San Miguel Food and Beverage, Inc., San Miguel Brewery Hong Kong Limited (listed on the Hong Kong Stock Exchange) and Petron Malaysia Refining & Marketing Bhd. (company publicly listed in Malaysia); and President of Ginebra San Miguel, Inc. He is also the Chairman of public companies Eagle Cement Corporation and San Miguel Brewery Inc.; Chairman and Chief Executive Officer, President and Chief Operating Officer of San Miguel Global Power Holdings Corp.; Chairman and President of San Miguel Holdings Corp. and San Miguel Properties, Inc.; Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp., Chairman of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc., SEA Refinery Corporation, and San Miguel Equity Investments Inc.; Vice Chairman of Northern Cement Corporation; and Director of New NAIA Infra Corp. He is the Chairman and President of SMC SLEX Inc., SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC NAIAAX Corporation, Pasig River Expressway Corporation, and San Miguel Aerocity Inc.; Chairman of SMC Mass Rail Transit 7 Inc. and; Chairman, President, and Chief Executive Officer of SMC TPLEX Corporation. He is also the sole director and shareholder of Master Year Limited (Cayman Islands) and the Chairman of the Board and President of Privado Holdings, Corp. Mr. Ang has a Bachelor's Degree in Mechanical Engineering from the Far Eastern University and a Doctorate in Business Engineering, Honoris Causa, from the same university.

John Paul L. Ang, Filipino, 45, has been a director of the Company since September 10, 2024. Mr. Ang holds, among others, the following positions in other listed companies: President and Chief Operating Officer of SMC (since June 11, 2024); President and Chief Executive Officer of San Miguel Food and Beverage, Inc. (since June 5, 2024); and director of Top Frontier Investment Holdings, Inc. (since July 9, 2021) and Petron Corporation (since March 9, 2021). He is also the President and Chief Executive Officer of Eagle Cement Corporation and South Western Cement Corporation; and President of Lucky Nine Properties, Inc., Mabini Properties Inc., San Miguel Equity Investments, Inc., and Clariden Holdings, Inc. Mr. Ang is likewise a director of SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC SLEX Inc., San Miguel Aerocity Inc., SMC Bulacan Water Services Corporation, Aerofuel Storage Management Inc., Argonbay Construction Company, Inc., and KB Space Holdings, Inc. He is the Chairman, President and Chief Executive Officer of Southern Concrete Industries Inc.; Chairman and President of Prima Lumina Gold Mining Corp.; and Vice Chairman of San Miguel Global Power Holdings Corp. He is also a director of San Miguel Brewery Inc. Mr. Ang holds a Bachelor of Arts Degree from Ateneo de Manila University.

Aurora T. Calderon, Filipino, 70, has been a director of the Company since June 24, 2013 and a member of the Company's Audit and Risk Oversight Committee, Corporate Governance Committee, and Related Party Transactions Committee. She is the Senior Vice President, Senior Executive Assistant to the Office of the Chairman and Chief Executive Officer of SMC. She holds the following positions in other publicly listed companies: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), Petron Corporation, and Petron Malaysia Refining & Marketing Bhd (a company publicly listed in Malaysia). She is also the Chairman and President of Ruzena Estates Development Corporation; Director and Treasurer of SMC Asia Car Distributors Corp.; Director of SMC Global Power Holdings Corp., SMC SLEX Inc., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and

⁵ In the DIS, this will be changed to April 10, 2025.

Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., San Miguel Yamamura Packaging Corporation, and San Miguel Aerocity Inc. She is a likewise a Director of several subsidiaries of SMC Infrastructure, among others, SMC Skyway Corporation, SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC NAIAX Corporation, and Pasig River Expressway Corporation. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. She finished her Masters in Business Administration at Ateneo de Manila University (without thesis). In addition, Ms. Calderon holds directorships in various domestic and international subsidiaries of SMC.

Lorenzo G. Formoso III, Filipino, 63, has been a director of the Company since December 14, 2020 and member of the Company's Audit and Risk Oversight Committee. He is a Senior Vice President and Head of the Infrastructure Business of SMC. He is also the Chairman of Intelligent E-Processes Technologies Corp., Skyway O&M Corporation, TPLEX Operations and Maintenance Corporation, and Star Tollway Corporation; President and Chief Operating Officer of Aerofuel Storage Management Inc; President of Jethandler Asia Services, Inc. and SMC Mass Rail Transit 7 Inc. He is also a Director of Trans Aire Development Holdings Corp., SMC SLEX Holdings Company Inc., Manila North Harbour Port Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC TPLEX Corporation, Luzon Clean Water Development Corporation, Manila Toll Expressway Systems, Inc., Pasig River Expressway Corporation, and various other toll road companies under SMC Infrastructure. Atty. Formoso served as Assistant Secretary in the Department of Transportation and Communications from 2006 to 2009, and Deputy Commissioner of the Commission on Information and Communications Technology under the Office of the President from 2005 to 2006. He holds a Bachelor of Art Degree in Philosophy from the University of the Philippines and obtained his law degree from the University of California, Davis School of Law. Atty. Formoso was admitted to the State Bar of California in 1987 and to the Philippine Bar in 1992.

Jose C. Laureta, Filipino, 93, has been a director and Corporate Secretary of the Company since June 24, 2013. He holds the following positions in the various toll road subsidiaries of SMC Infrastructure: Corporate Secretary and Compliance Officer of SMC SLEX Inc. and Corporate Secretary of SMC Skyway Corporation, Skyway O&M Corporation, Manila Toll Expressway Systems, Inc., SMC Skyway Stage 3 Corporation, SMC Skyway Stage 4 Corporation, SMC Skyway 3 O&M Corp., and SMC Skyway 4 O&M Corp. Atty. Laureta holds a Bachelor's Degree in Liberal Arts and Sciences from the University of the Philippines and a Bachelor of Laws Degree from the same university. He is also a graduate of the Master of Laws Program at Yale University.

Margarito B. Teves, Filipino, 81, has been an Independent Director of the Company since June 24, 2013, as well as the Chairman of the Company's Audit and Risk Oversight Committee, and member of its Corporate Governance Committee and Related Party Transactions Committees. He is likewise an Independent Director of SMC, Petron Corporation, Alphaland Corporation, Alphaland Balesin Island Club, Inc., The City Club at Alphaland Makati Place, Inc., and Atok-Big Wedge Corporation; and a Director of Pampanga Sugar Development Co. He was previously an Independent Director of AB Capital Securities, Inc., AB Capital Investment Corp. and Alphaland Marina Club, Inc.; Managing Director of The Wallace Business Forum; and Chairman of Think Tank Inc. He also served as Secretary of the Department of Finance of the Philippine Government from 2005 to 2010. Mr. Teves holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Martin S. Villarama, Jr., Filipino, 79, has been an independent director of the Company since November 16, 2021, as well as the Chairman of the Company's Corporate Governance Committee and Related Party Transactions Committees, and member of its Audit and Risk Oversight Committee. He currently serves as an Independent Director of SMC SLEX Inc., Eagle Cement Corporation, and Ginebra San Miguel, Inc. He is an Advisor of San Miguel Brewery Hongkong Ltd. and a member of the Association of Retired Justices of the Supreme Court of the Philippines. Atty. Villarama is a retired Associate Justice of the Supreme Court of the Philippines (from 2009 to 2016). He started his career in the Judiciary in 1986, when he was appointed as Regional Trial Court Judge of Pasig City. He obtained his Bachelor of Laws Degree from the Manuel L. Quezon University after completing a Bachelor's Degree in Business Administration from De La Salle University.

Key Officers

Joseph N. Pineda, Filipino, 61, has been the Treasurer of the Company since June 24, 2013. He was a director of the Company from June 7, 2013 until September 10, 2024. He is currently the Senior Vice President, Deputy Chief Finance Officer and Treasurer of SMC. He is also the Chairman of SMC Shipping and Lighterage Corporation and Fiesta Pacific Asia Inc.; President of Process Synergy, Inc. and San Miguel Integrated Logistics Services, Inc.; and Treasurer of San Miguel Holdings Corp., SMC Consolidated Power Corporation, SMC Stock Transfer Service Corporation, and SMITS, Inc.; and Director of SMC TPLEX Holdings Company, Inc., San Miguel Aerocity Inc., Sea Refinery Corporation, Anchor Insurance Brokerage Corp., and San Miguel Equity Investments Inc. Mr. Pineda holds a Bachelor of Arts Degree in Economics from San Beda College and took Masters in Business Administration units in De La Salle University.

Raoul Eduardo C. Romulo, Filipino, 62, has been the Chief Finance Officer of the Company since December 14, 2020. He is currently the Treasurer and the Chief Finance Officer of SMC SLEX Inc. and SMC Skyway Corporation; and the Chief Finance Officer and Treasury Head of San Miguel Holdings Corp. He also holds several positions in the various toll road subsidiaries of SMC Infrastructure: President of TPLEX Operations and Maintenance Corporation; Director of Manila Toll Expressway Systems, Inc., and Skyway O&M Corporation; and Treasurer of SMC SLEX Holdings Company Inc. and Alloy Manila Toll Expressways, Inc. Mr. Romulo holds a double degree in BS Marketing Management and AB Psychology from De La Salle University and a Masters in Business Administration in International Finance from Fordham University Graduate School of Business.

Mary Rose S. Tan, Filipino, 48, has been the Assistant Corporate Secretary and Compliance Officer of the Company since June 24, 2013. She is also the Assistant Corporate Secretary, Assistant Vice President and Associate General Counsel of SMC. She is also the Assistant Corporate Secretary of San Miguel Holdings Corp. and New NAIA Infra Corp.; Corporate Secretary of San Miguel Aerocity Inc., SMC Mass Rail Transit 7 Inc., SMC NAIA Corporation, SMC TPLEX Holdings Company, Inc., Trans Aire Development Holdings Corp., and Luzon Clean Water Development Corporation. Atty. Tan holds a Bachelor of Arts Degree in Psychology and a Bachelor of Laws Degree both from the University of the Philippines. She obtained her Master of Laws Degree from the University of Sydney in 2009 as an Endeavour Postgraduate Award scholar of the Australian Government. Atty. Tan was admitted to the the Philippine Bar in 2002.

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office for a term of one (1) year and until the election and qualification of their successors, unless he resigns, dies or is removed prior to such election.

The nominees for election to the Board of Directors on May 6, 2025 are as follows:

1. Ramon S. Ang
2. John Paul L. Ang
3. Aurora T. Calderon
4. Lorenzo G. Formoso III
5. Jose C. Laureta
6. Margarito B. Teves
7. Martin S. Villarama, Jr.

Independent Directors

The independent directors of the Company in 2024 are Margarito B. Teves and Martin S. Villarama, Jr.

Margarito B. Teves was first elected to the Board of Directors as an independent director on June 7, 2013.

Martin S. Villarama, Jr. was elected to the Board of Directors as an independent director to fill the vacancy created by the death of Reynaldo David on December 13, 2020, at the special meeting of the Board of Directors held on November 16, 2021.

The two (2) independent directors possess all the qualifications and none of the disqualifications under the law and the Manual on Corporate Governance. The certifications on qualification executed by the independent directors of the Company, Margarito B. Teves and Martin S. Villarama, Jr. are attached hereto as **Exhibit "1"** and **Exhibit "2"**, respectively. The certifications are compliant with the substantive requirements prescribed under SEC Memorandum Circular No. 5, s. 2017, a copy of which is attached as **Exhibit "3"**.

Independent directors are subject to a cumulative term limit of nine (9) years, under SEC Memorandum Circular No. 4, s. 2017. Martin S. Villarama, Jr. is still within the prescribed term limit, while the Board will provide the required justification for the retention of Margarito B. Teves, and shall seek stockholders' approval during the stockholders' meeting. Attached as **Exhibit "4"** is a copy of SEC Memorandum Circular No. 4, s. 2017.

Nominees for Election to the Board of Directors for the year 2025 - 2026

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 1, Article II of the Company's Amended By-Laws, and possess all the qualifications and none of the disqualifications under the Company's Manual on Corporate Governance and applicable rules and regulations, including the new Code of Corporate Governance for Publicly-Listed Companies and new rules on term limits of independent directors of the SEC.

As prescribed by the Manual on Corporate Governance, the Corporate Governance Committee of the Company screens each nominee for compliance with the qualifications of a director, through a review of their respective curriculum vitae and other relevant information provided by the nominating stockholder. The following are the Chairman and members of the Corporate Governance Committee of the Company:

- Martin S. Villarama, Jr. (Independent Director) – Chairman
- Margarito B. Teves (Independent Director) – Member
- Aurora T. Calderon (Director) – Member

AAIBV has nominated its respective incumbent nominee-directors for re-election for the year 2025. Below are the nominees to the Board of Directors of the Company:

- Ramon S. Ang
- John Paul L. Ang
- Aurora T. Calderon
- Lorenzo G. Formoso III
- Jose C. Laureta

Nominees for Independent Directors

- Margarito B. Teves
- Martin S. Villarama, Jr.

The independent directors were nominated by AAIBV, through its proxy/authorized representative, Ramon S. Ang. The independent directors do not have any personal or professional relationship with AAIBV or Ramon S. Ang.

The above enumerated nominees will be confirmed by the Corporate Governance Committee prior to the annual stockholders meeting as continuing to possess all of the qualifications and none of the disqualifications for directors under the Manual on Corporate Governance, as contained in the summaries of their personal information presented above discussion, under the heading Incumbent Directors and Officers.

Re-Election of Independent Director

Under Section 2.2.1.6.2 of the Manual on Corporate Governance, the Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

Margarito B. Teves has been serving the Company as an independent director for the last nine (9) years. The Company's Corporate Governance Committee has noted his independence and made an initial determination that he possesses all the qualifications and none of the disqualifications to act as independent director of the Company, in accordance with Section 2.2.1.6.1⁶ of the Manual on Corporate Governance of the Company.

The Company's Corporate Governance Committee meeting will be held on May 6, 2025 with respect to the screening of all the nominee directors, including the matter of re-election of Margarito B. Teves in compliance with the guideline set forth in Section 2.2.1.6.1 of the Manual on Corporate Governance and the guidelines on the nomination of independent directors prescribed in SRC Rule 38. Upon a meritorious finding, the matter of re-election of Margarito B. Teves as independent director of the Company shall be approved and endorsed for the vote of the stockholders of the Company.

Serving as an independent director, Margarito B. Teves has brought high standards of corporate governance to the Company and objectively contributed providing his insights to the Audit and Risk Oversight Committee which she chairs, the Related Party Transactions Committee and the Corporate Governance Committee where she is a member, and to the Board of Directors of the Company based on her years of experience and expertise in the judiciary, the administration of justice, and the legal

⁶ Section 2.2.1.6.2 of the Manual on Corporate Governance provides that: "The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. Upon reaching this limit, an Independent Director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting."

profession. Being familiar with the mission, vision and corporate values of the Company, the presence of Consuelo Ynares-Santiago has enhanced these values by her sustained advisory relationship with the Company, especially with respect to the protection of the interest of its minority stockholders and other stakeholders.

On the basis of the foregoing, it is evident that the independence of Margarito B. Teves has not been diminished nor impaired by his long service of a member of the Board of Directors of the Company. He can continue acting as an independent director with the same zeal, diligence and vigor as when he was first elected

(2) Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

(3) Family Relationships

Mr. Ramon S. Ang is the father of Mr. John Paul L. Ang. There are no other family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

(4) Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date of this Information Statement.

The Company is not a party to, nor is any of its properties the subject of, any significant pending legal proceeding that could be expected to have a material adverse effect on the Company or its business, financial condition and results of operations.

(D) Certain Relationships and Related Transactions

(1) Directors, including Independent Directors, and Executive Officers, with the required information

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company. No related party transactions were entered into by any director in 2024 that required review by the Related Party Transactions Committee and further approval by the Board in accordance with the policies of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company. The Company observes an arm's length policy in its dealings with related parties.

Directors are required to disclose their business interests, interests in transactions that may come before the Company, or any other conflict of interests. In this regard, directors accomplish a Full Business Interest Disclosure ("FBID") form on an annual basis as part of the process to determine whether they have all the qualifications and none of the disqualifications to be a director of the Company pursuant to the Company's By-laws and Manual on Corporate Governance. The refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the SRC and its Implementing Rules and Regulations is a ground for the temporary disqualification of a director. In this regard, all incumbent and nominee directors of the Company have accomplished the FBID form and the Corporate Governance Committee has determined that they have all the qualifications and none of the disqualifications to be a director of the Company.

On the other hand, the Human Resources group of the Company ensures the implementation of the Company's policy against conflict of interests and the misuse of inside and proprietary information throughout the organization. Employees are required to promptly disclose any business and family-related interest or involvement, which, by nature, may directly or indirectly conflict with the interests of the Company

to ensure that such potential conflicts of interest are surfaced and brought to the attention of management for resolution.

Intermediate Parent Company

As of December 31, 2024, Atlantic Aurum Investments B.V. owns and controls 69,538,4529 common shares comprising 100% of the issued and outstanding capital stock of the Company entitled to vote.

Disagreement of Directors and Executive Officers

None of the directors has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Board Attendance

The directors' attendance in meetings of the Board, and Committees since the 2024 Annual Stockholders' Meeting up to 31 December 2024 are set forth in **Exhibit "5"**.

Board Appraisals, Criteria and Procedures

The Company recognizes that in order to sustain good corporate governance within the organization, the same sound culture must be upheld and cultivated from the top. It is therefore of paramount importance to monitor the governance structure and performance of the Board of Directors and top management according to their roles, responsibilities and accountabilities.

The Board of Directors approved a policy to conduct an annual self-assessment exercise through a questionnaire to be given to each director at the last regular meeting for the year, for the purpose of evaluating the performance of the Board that year and the effectiveness of the Company's governance processes, and seeking ways to improve such performance.

The assessment criteria includes the structure, efficiency, and effectiveness of the Board, participation and engagement of each director, contribution of each member director to their respective Committees, and the performance of management. The criteria also reflects the specific duties, responsibilities and accountabilities of each party assessed as provided in the Company's By-laws, Manual on Corporate Governance, Board Committee Charters and governing policies.

The questionnaire allows the director to provide comments and suggestions to further enrich the assessment process. In case clarification is needed on this policy and the performance assessment exercise, the Board addresses their queries to the Compliance Officer.

The Compliance Officer facilitates the process of distributing the annual self-rating form to the directors, and the collation of the results of the assessment. The Compliance Officer reports the same to the Board at a subsequent meeting prior to the annual stockholders' meeting. The self-rating form may be amended by the Compliance Officer as deemed necessary, provided the same remains compliant with sound corporate governance standards.

Item 6. Compensation of Directors and Executive Officers

Executive Compensation

From the years 2022 to 2024, the executive officers of the Company do not receive any compensation from the Company.

Standard Arrangements on Directors' Compensation

The executive officers are not covered by standard employment contracts and employees' retirement plan and can be terminated upon appropriate notice. Other than reasonable per diem, the directors of the Company have not received and do not receive any salary or compensation for their services as directors. There are no other special arrangements pursuant to which any director was compensated. There is no compensatory plan or arrangement for the termination, resignation, or retirement of a member of the Board

Warrants or Options Outstanding

There are no warrants or options held by any of the directors or executive officers of the Company.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the directors and executive officers of the Company were compensated, or is to be compensated, directly or indirectly.

Item 7. Independent Public Accountants

The auditing firm of Reyes Tacandong & Co. ("RT & Co.") will be recommended as the external auditor for the year ended 31 December 2024. RT & Co. was also the external auditor of the Company for the fiscal years 2021, 2022 and 2023. RT & Co. was unanimously appointed as the external auditor by stockholders owning and controlling 100% of the issued and outstanding capital stock of the Company, at the annual stockholders' meeting held on March 12, 2025.

RT & Co. audited the financial statements of the Company as of the years ended December 31, 2022, 2023 and 2024.

The aggregate fees billed by RT & Co. for the years 2022, 2023 and 2024 are shown below:

	Amount in Pesos		
	2022	2023	2024
Audit and Audit Related Fees	700,000	700,000	800,000

SMC Tollways has not engaged the independent auditors to render non-audit services.

SMC Tollways had no disagreements with the external auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Audit and Risk Oversight Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by the independent auditors. It does not allow SMC Tollways to engage the independent auditors for certain non-audit services expressly prohibited by SEC regulations to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditors maintain the highest level of independence from the Company, both in fact and appearance.

The members of the Audit and Risk Oversight Committee are as follows:

- Margarito B. Teves (independent director) – Chairman
- Martin S. Villarama, Jr. (independent director) - Member
- Lorenzo G. Formoso (director) – Member

Item 8. Compensation Plans

No action will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the authorization or issuance of any securities of any kind or for any transaction.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

On [•]7, the Company filed with the SEC its Annual Report for the year ended December 31, 2024 under SEC Form 17-A, which Annual Report also contains the Company's Management Discussion and Analysis and the Sustainability Report. The Company undertakes to provide without charge to each stockholder, upon its written request, a copy of the Annual Report. Requests for copies of the Annual Report can be directed to the following:

Name: **Raoul Eduardo C. Romulo**
Designation: Chief Finance Officer
Address : 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City

At the discretion of Management, however, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the Company in furnishing such exhibits.

A copy of the Annual Report under SEC Form 17-A, which contains the Management Discussion and Analysis and the Sustainability Report, is attached as **Exhibit "9"**⁸ of this Information Statement. A copy of the audited financial statements of the Company as of December 31, 2024 is attached as **Exhibit "10"**⁹ of this Information Statement.

Other information required to be disclosed under the relevant Parts of Annex C, which are not contained in the discussions above and in the Management Discussion and Analysis are contained in the Annual Report is discussed below:

Brief description of the general nature and scope of business of the Company

The Company was incorporated as a stock corporation on June 7, 2013 as a holding company of San Miguel Corporation for its tollways and related businesses.

On June 27, 2013, the Company acquired 34,386,487 shares representing 50.51% of the outstanding capital stock of SMC Skyway Corporation (formerly: Citra Metro Manila Tollways Corporation) ("SMC Skyway"). On September 30, 2013, the Company entered into a share purchase agreement with Terramino Holdings Inc. ("THI") for the acquisition of 25,409,475 shares in SMC Skyway representing 37.33% of the outstanding capital stock of SMC Skyway.

Stage 3 Connector Holdings Corporation ("S3HC") was incorporated as a stock corporation on February 28, 2014 under the laws of the Republic of the Philippines, as a holding company for logistics, tollways, infrastructure and similar businesses. S3HC, a 100% owned subsidiary of the Company, has an ownership interest of 90% in MMSS3.

In 2016, the Company acquired 100% interest in S3HC from Atlantic Aurum Investments BV ("AAIBV"). S3HC is the parent company of SMC Skyway Stage 3 Corporation ("MMSS3"). MMSS3 was incorporated on November 16, 2012 with the primary purpose to finance, design and construct the Skyway Stage 3 Project under a Build-Transfer-Operate (BTO) scheme with the Philippine government.

SMC Skyway was incorporated as a stock corporation on November 27, 1995 under the laws of the Republic of the Philippines, as a joint venture between PT Citra Lamtoro Gung Persada ("Citra") and the Philippine National Construction Corporation ("PNCC") with the primary and exclusive responsibility and privilege of financing, designing, and constructing, under a BTO scheme, the Skyway Project, an elevated expressway from Alabang, Muntinlupa City to Buendia, Makati City and to rehabilitate the at-grade section from Magallanes, Makati City to Alabang, Muntinlupa City with a total length of 29.33 kilometers. Stages 1 and 2 of the Skyway Project, which have been in operation since December 1998 and December 2010, respectively, are now being operated and maintained by Skyway O&M Corporation ("SOMCO"). SMC Skyway holds 40% of the outstanding capital stock of SOMCO.

SOMCO was incorporated as a stock corporation on December 13, 2007 under the laws of the Republic of the Philippines, to maintain and operate toll roads and toll facilities appurtenant thereto. Prior to incorporation of SOMCO, PNCC, through its wholly-owned subsidiary and assignee PNCC Skyway Corporation ("PSC") performed the operation and maintenance function of the Skyway Project. On July 18, 2007, in view of the impending expiration of PNCC's legislative franchise to operate the Skyway Project, the Supplemental Toll Operation Agreement ("STOA") was amended to include a clause which granted SMC Skyway the right to nominate a qualified party to operate and maintain the Skyway Project. Thus, on December 21, 2007, SMC Skyway, PNCC and PSC entered into a Memorandum of Agreement for the turnover of the operation and management responsibilities for the Skyway Project from

⁷ This will be updated in the DIS to reflect the actual filing date of the SEC Form 17-A with the SEC.

⁸ This Exhibit will be attached in the DIS after the SEC Form 17-A has been filed with the SEC.

⁹ This Exhibit will be attached in the DIS after the SEC Form 17-A has been filed with the SEC.

PSC to SOMCO. Subsequently, on December 28, 2007, a Toll Operation Certificate was issued by the Toll Regulatory Board (“TRB”) to SOMCO. SOMCO has been operating and maintaining the Skyway Project since December 31, 2007.

Skyway Stage 1 & 2

Stage 1 of the Skyway Project consists of the construction of a 9.02-kilometer elevated road from Bicutan, Parañaque City to the Makati Central Business District, as well as the rehabilitation of the 13.43-kilometer section of the South Luzon Expressway from Alabang to Magallanes. The Skyway STOA was amended in 2007 to include Stage 2 of the Skyway Project. This portion of the project covers 6.88 kilometers of an elevated expressway from Bicutan to Alabang, extending the 9.02-kilometer elevated toll road from Makati to Bicutan. Stage 2 involved the construction of six (6) travel lanes, with four (4) lanes at the Sucat Ramp Toll Plaza leading westward to Dr. A. Santos Avenue. The Sucat-Alabang Section, on the other hand, has four (4) travel lanes from Sucat going down to the two-lane slip ramps leading to the South Luzon Tollway in front of Hillsborough Subdivision.

On June 29, 2019, the construction of the Skyway-Alabang South Extension Project (also known as Skyway Extension) commenced. This project aimed to decongest the existing Skyway Project and Skyway Stage 3 Project and South Luzon Expressway (“SLEX”) by widening the existing lanes approaching Sucat exit, and providing an elevated viaduct running from Susana Heights, connecting it to the existing Alabang Viaduct. This was foreseen to lessen the at-grade traffic through the diversion of motorists from at-grade to elevated. The northbound side of the Skyway Extension was opened to the public on April 2021, while the southbound side was opened on December 2021.

Skyway Stage 3

MMSS3 was granted the right to finance, design and construct an elevated expressway that will link the South and North Luzon Expressway, from Buendia, Makati City to NLEX-Balintawak, Quezon City with a total length of 17.93 kilometers. MMSS3 started its operations in July 2021 and is being operated and maintained by SMC Skyway 3 O&M Corp. (“SOMCO3”). Under the terms of the STOA, MMSS3 holds the 30-year concession right to design, finance and construct the Skyway Stage 3 Project, an elevated roadway with a total length of approximately 17.93 km from Buendia Avenue in Makati to NLEX-Balintawak, Quezon City and is connected to the existing Skyway Project. The Skyway Stage 3 Project inter-connects the northern and southern cities of Metro Manila to help decongest major thoroughfares within the National Capital Region, stimulate the growth of trade and tourism in Luzon, outside of Metro Manila and provide direct employment and indirect jobs during the construction.

On December 29, 2020, the Skyway Stage 3 Project was partially opened to the public. It was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee. On July 1, 2021, MMSS3 received the Toll Operation Permit and started its toll operation.

Market Price of and Dividends

The Company has an authorized capital stock of ₱8,000,000,000.00 comprised of 80,000,000 common shares with par value of ₱100.00 per common share. As of December 31, 2024, the Company has issued and outstanding 69,538,459 common shares. The common shares of the Company are neither traded in any market, nor subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

Stockholders

As of December 31, 2024, the Company has eight (8) stockholders, one (1) of which is the principal corporate/juridical entity shareholder, and seven (7) of whom are individuals with one (1) qualifying share each.

The tables showing the current juridical and natural stockholders are in Part 1(B), Item 4(d) above.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

The Company is not undertaking any merger, consolidation, acquisition or similar matters.

Item 13. Acquisition or Disposition of Property

The Company is not acquiring or disposing of any property.

Item 14. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on July 12, 2024 confirming that the minutes contains a true and accurate record of the proceedings. Copies of the Minutes is attached as **Exhibit "6"** and is available for viewing on the Company's website. The said Minutes contain the following information, among others, as required under Section 49 of the RCC:
 - (i) Voting and vote tabulation procedures used the meeting
 - (ii) Opportunity given to stockholders to ask questions;
 - (iii) The matters discussed and resolutions reached;
 - (iv) A record of the voting results for each agenda item; and
 - (v) A list of the directors, officers and stockholders who attended the meeting.
2. Report to Stockholders
3. Approval of the 2024 Audited Financial Statements
4. Re-election of Independent Director
5. Election of the Board of Directors
6. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
7. Appointment of External Auditor

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, Bylaws or Other Documents

No action is to be taken with respect to any amendment of the Company's charter, by-laws or other documents as to which information is not required above.

Item 18. Other Proposed Action

No action is to be taken with respect to any matter not specifically referred to above.

Item 19. Voting Procedures

The vote required for the approval of the minutes of the annual stockholders' meeting, report to stockholders, ratification of acts and proceedings of the board of directors and corporate officers, audited financial statements, and appointment of the external auditor is the affirmative vote of stockholders owning at least a majority of the issued and outstanding capital stock.

With respect to the election of directors, as discussed in Item 4(c) above, each registered stockholder is entitled to cumulative voting as set out in pages 2 and 4 of this Preliminary Information Statement shall be adopted. Each stockholder will cast its vote to elect its respective nominees to the Board, provided that the same have been pre-screened and confirmed by the Corporate Governance Committee. The Corporate Secretary or Assistant Corporate Secretary shall be responsible for counting and recording the votes cast.

COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual.

The Board of Directors of the Corporation approved and adopted its Manual on Corporate Governance, in compliance with the requirement in SEC Memorandum Circular No. 24, series of 2019, attached as **Exhibit "7"** to render public companies and registered issuers compliant with the provisions of the 2019 Code of Corporate Governance for Public Companies Registered Issuers, issued on December 19, 2019.

The Board also approved all acts required to render the Corporation compliant with the Manual, such as, but not limited to, the creation of the Board committee charters, and approval of the Code of Business Conduct and Ethics prescribed under the 2019 Code and embodied in the Manual.

The Company is also continuing its previous practices on good corporate governance, namely: (a) vetting of the qualifications of the directors and key officers; (b) ensuring attendance of the directors in the Board meetings and in the meetings of various committees in which they are members, by proper scheduling of the meetings; (c) scheduling of corporate governance seminars and training to ensure attendance by the directors and key officers; and (d) establishment of and adherence to appropriate standard operating procedures to ensure that proper operational controls are in place.

The Company has also complied with the requirement to maintain a website in accordance with format prescribed by the SEC, as directed under SEC Memorandum Circular No. 2, s. 2018, attached as **Exhibit “8”**.

Pursuant to SEC Memorandum Circular No. 13, series of 2021, the Annual Corporate Governance Report (ACGR) of the Company for the period January to December 2024 will be filed with the SEC on or before June 30, 2025.

EXHIBITS

EXHIBIT	DESCRIPTION OF DOCUMENT (copies only)
1	Certification on qualification of Independent Director Margarito B. Teves
2	Certification on qualification of Independent Director Martin S. Villarama, Jr.
3	SEC Memorandum Circular No. 5, s. 2017
4	SEC Memorandum Circular No. 4, s. 2017
5	Board Attendance Summary for 2024
6	Draft Minutes of the Annual Stockholders' Meeting held on July 12, 2024
7	SEC Memorandum Circular No. 24, s. 2019
8	SEC Memorandum Circular No. 2, s. 2018
9	Annual Report under SEC Form 17-A containing the Management Discussion and Analysis and Sustainability Report of the Company filed with the SEC on [•] ¹⁰ .
10	Audited Financial Statements of the Company as of December 31, 2024 as filed with the Bureau of Internal Revenue on [•] ¹¹ .

PART II.

INFORMATION REQUIRED IN A PROXY FORM

N/A – Proxies are not being solicited

¹⁰ This Exhibit will be provided in the DIS, and the date will be updated to reflect the actual filing date of the SEC Form 17-A with the SEC.

¹¹ This Exhibit will be provided in the DIS, and the date will be updated to reflect the actual filing date of the Audited Financial Statements with the BIR.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Mandaluyong City on March 26, 2025.

SMC TOLLWAYS CORPORATION
(Registrant)

By:


Mary Rose S. Tan

Assistant Corporate Secretary and Compliance Officer

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY)S.S

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITO B. TEVES**, Filipino, of legal age, and a resident of 411 Ambuklao Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **SMC TOLLWAYS CORPORATION** (the “Corporation”) and have been its independent director since June 24, 2013.

2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
SMC Tollways Corporation	Independent Director	June 24, 2013 to present
San Miguel Corporation	Independent Director	June 14, 2012 to present
Petron Corporation	Independent Director	May 20, 2014 to present
GBF New Power Group Inc	Independent Director	August 2024- Present
P.J. Lhuillier Group of Companies	Member, Strategic Committee	February 2015 to present
Alphaland Balesin Island Club, Inc.	Independent Director	2012 to present
Alphaland Corporation	Independent Director	May 26, 2011 to present
Atok-Big Wedge Co., Inc.	Independent Director	2011 to present
The City Club at Alphaland Makati Place, Inc.	Independent Director	2011 to present
Pampanga Sugar Development Co.	Director	July 2011 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission (“SEC”).

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. I disclose that I am the subject of the following criminal/administrative investigations or proceedings:

Offense Charged/Investigated	Tribunal or Agency Involved	Status
A legal suit between private parties for qualified theft and/or estafa. I was included only because I was the <i>former</i>	Office of the City Prosecutor (Manila)	Based on Mr. Teves’ information request from Landbank while there published reports, the complaint did not prosper. No subpoena was received by Mr Teves and

President of Land Bank.		considering the length of the time that had passed, this is reasonably considered <i>finis</i> . This will no longer be included in next certification.
Republic Act No. 3019. I was included only because I was the former <i>ex officio</i> Chairman of Land Bank (as DOF Secretary)	Sandiganbayan	Case dismissed by the Third Division on June 14, 2024, a decision that has attained finality. This will no longer be included in next certification.

6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Further Affiant sayeth none.


Done this 21 MAR 2025 2025 at Mandaluyong City.


MARGARITO B. TEVES
Affiant

SUBSCRIBED AND SWORN to before me this 21 MAR 2025
2025 at Mandaluyong City, affiant exhibiting to me his Passport Number P4425969B
issued on January 16, 2020 at DFA-NCR South.

Doc. No.: 449 ;
Page No.: 91 ;
Book No.: (1) ;
Series of 2025.




CARLO MAGNO C. CABALLA
Commission No. 0576-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 3272662; 01/08/2025; Mandaluyong City
IBP No. 512417; 01/09/2025; Rizal Chapter
MCLE Compliance No. VIII-0015357; 04/14/2028

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY)S.S

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARTIN S. VILLARAMA, JR.**, Filipino, of legal age, and a resident of 22 Golden Street, Gloria 1 Subdivision, Tandang Sora, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **SMC TOLLWAYS CORPORATION** (the “Corporation”) and have been its independent director since November 16, 2021.

2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
SMC Tollways Corporation	Independent Director	2021 to Present
SMC SLEX Inc.	Independent Director	2021 to Present
Eagle Cement Corporation	Independent Director	2017 to Present
San Miguel Brewery HongKong Ltd.	Member, Board of Advisors	2017 to Present
Association of Retired Justices of the Supreme Court of the Philippines (ARJJSCP)	Member	2016 to Present
BIR Tennis Club, Agham Road, Quezon City	Member	1983 to Present
Supreme Court of the Philippines	Associate Justice	2009 to 2016
Court of Appeals	Associate Justice	1998 to 2009
Philippine Judicial Academy	Lecturer	2007 to 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and regulations and other issuances of the Securities and Exchange Commission (“SEC”).

4. Other than as disclosed in Item 2 above, I am not in any way related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates.

5. I am co-respondent in a case for Theft entitled “Jimmy N. Gow, representing Uniwide Group of Companies, et. al. vs. Martin S. Villarama, Jr, et. al.” before the Parañaque City Prosecutor’s Office docketed as “NPS NO. XV-12-INV-21-B-0221” to which I filed my Counter-Affidavit on April 19, 2021. Upon verification of its status on September 30, 2024, I learned that the case was already DISMISSED way back on October 28, 2021.

6. I had resigned, with Court approval, as Court Appointed Liquidator of the Uniwide Group of Companies effective July 7, 2023.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.

9. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Further Affiant sayeth none.

Done this 21 MAR 2025 2025 at Mandaluyong City.


MARTIN S. VILLARAMA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this 21 MAR 2025
2025 at Mandaluyong City, affiant exhibiting to me his Senior Citizen's ID No. 82935 issued by the OSCA Quezon City on January 10, 2008 and Tax Identification Card No. 124-314-240.

Doc. No.: 450 ;
Page No.: 91 ;
Book No.: 11 ;
Series of 2025.





CARLO MAGNO C. CABALLA
Commission No. 0576-24
Notary Public of Mandaluyong City
Until December 31, 2025
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 3272662; 01/08/2025; Mandaluyong City
IBP No. 512417; 01/09/2025; Rizal Chapter
MCLE Compliance No. VIII-0015357; 04/14/2028



EXHIBIT "3"

SEC MEMORANDUM CIRCULAR NO. 5
Series of 2017

TO : **ALL INDEPENDENT DIRECTORS**

SUBJECT : **CERTIFICATE OF QUALIFICATION**

DATE : **07 March 2017**

To promote full disclosure of the qualifications of independent directors to hold said position, the Commission in its *en banc* meeting on 02 March 2017 resolved to update the pro forma Certification required from all independent directors.

The Certification shall include, among others, disclosure of any pending criminal or administrative investigation or proceedings, positions held in Government-Owned and Controlled Corporations and the required written permission or consent from the head of Department/Agency [for those in government service].

The Certification shall be submitted together with the companies' Information Statements (SEC Form 20-IS) and before the election of the independent director.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, **10** March 2017.

For the Commission:


TERESITA J. HERBOSA
Chairperson

Published:

Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

CERTIFICATION OF INDEPENDENT DIRECTOR

I, _____, Filipino, of legal age and a resident of _____, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of _____ and have been its independent director since _____ (where applicable).
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of _____, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in _____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of _____ of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of _____, at _____.

Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____,
affiant personally appeared before me and exhibited to me his/her _____
issued at _____ on _____.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of _____;



EXHIBIT "4"

SEC MEMORANDUM CIRCULAR NO. 4
Series of 2017

TO : REGISTERED ISSUERS, PUBLIC AND MUTUAL FUND COMPANIES

SUBJECT : TERM LIMIT OF INDEPENDENT DIRECTORS

DATE : 09 March 2017

To promote and reinforce board independence and to be consistent with recognized regional best practice, the Commission in its *en banc* meeting on 09 March 2017 resolved to amend its rules on the term limit of independent directors as follows:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;
2. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director;
3. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and
4. Reckoning of the cumulative nine-year term is from 2012.

This Memorandum Circular shall take effect immediately.

All past resolutions or circulars of the Commission that are inconsistent with this Circular shall be deemed repealed or modified accordingly.

Pasay City, Philippines, 10 March 2017.

For the Commission:


TERESITA J. HERBOSA
Chairperson

Published:
Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

BOARD OF DIRECTORS ATTENDANCE SUMMARY 2024

Director's Names	December 11 RM BD	December 11 AROC	September 10 SM BD	September 10 CGC	July 12 OM	March 13 RM BD
Ramon S. Ang	x	N/A	✓	N/A	✓	✓
John Paul L. Ang*	x	N/A	✓	N/A	N/A	N/A
Aurora T. Calderon	✓	✓	✓	✓	✓	✓
Lorenzo G. Formoso III	✓	✓	✓	N/A	x	x
Joseph N. Pineda**	N/A	N/A	N/A	✓	✓	✓
Jose C. Laureta	✓	N/A	✓	N/A	✓	✓
Margarito B. Teves	✓	✓	✓	✓	✓	✓
Martin S. Villarama, Jr.	✓	✓	✓	✓	✓	✓

*Mr. John Paul L. Ang was elected director on September 10, 2024.

**Mr. Joseph N. Pineda resigned effective September 10, 2024.

LEGEND:

AROC – Audit and Risk Oversight Committee Meeting

ASM – Annual Stockholders' Meeting

CGC – Corporate Governance Committee Meeting

OM – Organizational Meeting of the Board of Directors

RM BD – Regular Meeting of the Board of Directors

SM BD – Special Meeting of the Board of Directors

MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING
OF

SMC TOLLWAYS CORPORATION

Held on 12 July 2024 (Friday), at 11:00 a.m.
(via Zoom videoconferencing)

PRESENT:

Atlantic Aurum Investments B.V. (By Proxy)

Ramon S. Ang
Aurora T. Calderon
Joseph N. Pineda
Jose C. Laureta
Margarito B. Teves
Martin S. Villarama, Jr.

APOLOGIES:

Lorenzo G. Formoso III

ALSO PRESENT:

Ferdinand K. Constantino
Raoul Eduardo C. Romulo
Crisallie D. Geronimo
Shaina Anella B. Ramirez
Mary Rose S. Tan

I. CALL TO ORDER

Mr. Ramon S. Ang, the Chairman of the Board, called the stockholders’ meeting to order and presided over the same. Atty. Jose C. Laureta, the Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF QUORUM

Stockholders representing at least majority of the outstanding capital stock of the Corporation being present, the Corporate Secretary certified that a quorum existed for the valid transaction of business.

III. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS’ MEETING HELD ON 31 MAY 2023

Upon motion duly made and seconded, the Minutes of the Annual Stockholders’ Meeting held on 31 May 2023 was unanimously approved by the stockholders.

IV. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

Upon motion duly made and seconded, the Audited Financial Statements of the Corporation as of 31 December 2023 was unanimously approved by the stockholders.

V. RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

Upon motion duly made and seconded, the following resolution was unanimously approved by the stockholders:

“RESOLVED, as it is hereby resolved, that all acts, resolutions and proceedings of the Board of Directors and corporate officers of the Corporation, since the Annual Stockholders’ Meeting on 31 May 2023 until the date of this meeting be approved, confirmed and ratified.”

VI. ELECTION OF THE BOARD OF DIRECTORS

The stockholders proceeded to elect the members of the Board of Directors of the Corporation. The following were nominated:

Chairman:	Mr. Ramon S. Ang
Members:	Ms. Aurora T. Calderon
	Mr. Joseph N. Pineda
	Atty. Lorenzo G. Formoso III
	Atty. Jose C. Laureta
	Mr. Margarito B. Teves
	Justice Martin S. Villarama, Jr.

There being no other nominees, the above-named persons were unanimously elected by the stockholders as members of the Board of Directors of the Corporation.

VII. APPOINTMENT OF EXTERNAL AUDITORS

Upon motion duly made and seconded, the stockholders unanimously appointed the auditing firm of **Reyes Tacandong & Co.** as external auditors of the Corporation for the calendar year 2024, under such terms and conditions as may be deemed appropriate by the Board of Directors.

VIII. ADJOURNMENT

There being no other matters to be discussed, the stockholders’ meeting was adjourned.

ATTESTED BY:

RAMON S. ANG
Chairman

Certified Correct:

MARY ROSE S. TAN
Assistant Corporate Secretary



EXHIBIT "7"

SEC MEMORANDUM CIRCULAR NO. 24
Series of 2019

TO : PUBLIC COMPANIES AND REGISTERED ISSUERS

SUBJECT : CODE OF CORPORATE GOVERNANCE FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

To promote the development of a strong corporate governance culture and keep abreast with recent developments in corporate governance best practices, the Commission, pursuant to its regulatory power under Section 179(d) of Republic Act No. 11232 otherwise known as the Revised Corporation Code of the Philippines, resolved to adopt the Code of Corporate Governance for Public Companies and Registered Issuers ("CG Code for PCs and RIs").

(1) The CG Code for PCs and RIs supersedes the following SEC Memorandum Circulars:

- a) SEC Memorandum Circular No. 6, Series of 2009 (Revised Code of Corporate Governance);
- b) SEC Memorandum Circular No. 9, Series of 2014 (Amendment to the Revised Code of Corporate Governance; and
- c) SEC Memorandum Circular No. 4, Series of 2017 (Term Limits of Independent Directors).

The aforementioned Memorandum Circulars shall remain in effect for other covered companies, when applicable.

- (2) All other relevant Memorandum Circulars on corporate governance shall remain in force and effect until further notice.
- (3) All public companies and registered issuers shall submit a new Manual on Corporate Governance within six (6) months from the effectivity of this Memorandum Circular.
- (4) Notwithstanding the issuance of the CG Code for PCs and RIs, public companies and registered issuers shall submit a Compliance Officer Certification on the extent of the company's compliance with Revised Code of Corporate Governance and Corporate Secretary Certification on record of attendance in board meetings for the covered year 2019 on or before 30 January 2020.

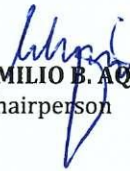
This Memorandum Circular shall take effect fifteen (15) days after its publication in two (2) newspapers of general circulation in the Philippines.

Pasay City, Philippines, 19 December 2019.

Published:

Manila Bulletin, December 28, 2019
Manila Standard, December 28, 2019

For the Commission:


EMILIO B. AQUINO
Chairperson

CODE OF CORPORATE GOVERNANCE FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

INTRODUCTION

1. The Code of Corporate Governance for Public Companies and Registered Issuers is the next in the series of Corporate Governance Codes for different types of corporations under the supervision of the Securities and Exchange Commission. It is rooted in the same Corporate Governance principles provided in the Code of Corporate Governance for Publicly-Listed Companies with the same intention of raising the corporate governance standards of Philippine corporations consistent with the G20/OECD¹ Principles of Corporate Governance and other internationally recognized corporate governance principles.
2. The Code will adopt the “comply or explain” approach. This approach combines voluntary compliance with mandatory disclosure. Companies do not have to comply with the Code, but they must state in their annual corporate governance reports whether they comply with the Code provisions, identify any areas of non-compliance, and explain the reasons for non-compliance.
3. The Code is arranged as follows: Principles, Recommendations and Explanations.

The **Principles** can be considered as high-level statements of corporate governance good practice and are applicable to all companies.

The **Recommendations** are the objective criteria that are intended to identify the specific features of corporate governance good practices that are recommended for companies covered by this Code.

The **Explanations** strive to provide companies with additional information on the recommended best practice.

4. This Code does not, in any way, prescribe a “one size fits all” framework. It is designed to allow companies some flexibility in establishing their corporate governance practices. Larger companies would generally be expected to follow most of the Code’s provisions. Smaller companies may decide that the costs of some of the provisions outweigh the benefits, or are less relevant in their case. Hence, the Principle of Proportionality is considered in the application of the provisions of this Code.
5. Definition of Terms:

Board of Directors – the governing body elected by the shareholders/members that exercises the corporate powers of a corporation, conducts all its business and controls its properties. For purposes of this Code, reference to Board of Directors and/or Directors shall also include reference to Board of Trustees and/or Trustees, respectively, in applicable cases.

¹ Organisation for Economic Co-operation and Development

Corporate Governance – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their shareholders/members and other stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the board of directors and Senior Management accountable for ensuring ethical behavior and reconciling long-term customer satisfaction with shareholder/member value to the benefit of all stakeholders and society.

Its purpose is to maximize the organization's long-term success, thereby creating sustainable value for its shareholders/members, other stakeholders and the nation.

Enterprise Risk Management – a process, effected by an entity's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.²

Executive director – a director who has executive responsibility of day-to-day operations of a part or the whole of the corporation.

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

Internal control – a process designed and effected by the entity's Board of Directors/ Trustees, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management of corporate information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

Management – a group of executives given the authority by the Board of Directors/ Board of Trustees to implement the policies it has laid down in the conduct of the business of the corporation.

Members – the members of non-stock corporations.

Non-executive director – a director who has no executive responsibility and does not perform any work related to the day-to-day operations of the corporation.

Non-Proprietary Right – an interest, participation or privilege over a specific property of a corporation that allows the holder to use such property under certain terms and conditions. The holder, however, shall not be entitled to dividends from the corporation or to its assets upon its liquidation.

Proprietary Right – an interest, participation or privilege in a corporation which gives the holder the right to use the facilities and to receive dividends or earnings

² Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework).

from the corporation. Upon the liquidation of the corporation, the holder shall have proportionate ownership rights over its assets.

Public Company – a company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more shareholders holding at least one hundred (100) shares each of equity securities.

Registered Issuer – a company that: (1) issues proprietary and/or non-proprietary shares/certificates; (2) issues equity securities to the public that are not listed in an Exchange; or (3) issues debt securities to the public that are required to be registered to the SEC, whether or not listed in an Exchange.

Related parties - covers the covered entity's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and other persons if these persons have control, joint control or significant influence over the covered entity. It also covers the covered entity's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Related Party Transactions – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Significant Influence - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Stakeholders – any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, non-proprietary certificate holders, customers, creditors, employees, suppliers, investors, as well as the government and the community in which the company operates.

THE BOARD'S GOVERNANCE RESPONSIBILITIES

1. ESTABLISHING A COMPETENT BOARD

Principle

The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of its shareholders/members and other stakeholders.

Recommendation 1.1

The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board should always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

Explanation

Competence can be determined from the collective knowledge, experience and expertise of each director that is relevant to the industry/sector that the company is in. A Board with the necessary knowledge, experience and expertise can properly perform its tasks and functions. In this regard, the Board sets qualification standards for its members to facilitate the selection of potential nominees for board seats, and to serve as a benchmark for the evaluation of its performance.

Recommendation 1.2

The Board should be headed by a competent and qualified Chairperson.

Explanation

The roles and responsibilities of the Chairperson should be contained in the Board Charter. These include, among others, the following:

- a. Makes certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

- e. Assures the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.

Recommendation 1.3

The Company should have a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

Explanation

The orientation program for first-time directors and relevant annual continuing training for all directors aim to promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities.

The orientation program ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorships, and throughout their tenure. The orientation program covers SEC-mandated topics on corporate governance and includes an introduction to the company's business, Articles of Incorporation and By-laws, and Code of Business Conduct and Ethics.

The annual continuing training program, on the other hand, makes certain that the directors are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the company. The training can be on any matter relevant to the company, which could include training on audit, internal controls, risk management, sustainability and strategy. It is encouraged that companies assess their own training and development needs in determining the coverage of their continuing training program. For corporate governance trainings, the trainings can be conducted by SEC Accredited Institutional Training Providers.

It is suggested that the orientation program for first-time directors, in any company, be for at least eight (8) hours, while the annual continuing training be for at least four (4) hours.

Recommendation 1.4

The Board should have a policy on board diversity.

Explanation

Having a board diversity policy is a move to avoid groupthink and ensure that optimal decision-making is achieved. Groupthink is a mode of thinking in which individual members of small cohesive groups tend to accept a viewpoint or conclusion that represents a perceived group consensus, whether or not the group members believe it to be valid, correct, or optimal. Groupthink reduces the efficiency of collective problem solving within such groups.³

³Schmidt, Anna (2016), Encyclopædia Britannica, Inc. *Groupthink*. Retrieved from Encyclopædia Britannica Website, <https://www.britannica.com/science/groupthink>, last accessed 27 August 2019.

A board diversity policy is not limited to gender diversity. It also includes diversity in age, ethnicity, culture, skills, competence and knowledge. On gender diversity policy, a good example is to increase the number of female directors, including female independent directors (IDs).

Recommendation 1.5

The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.

Explanation

The Corporate Secretary is primarily responsible to the corporation and its shareholders/members, and not to the Chairperson or President of the Company and has, among others, the following duties and responsibilities:

- a. Assists the Board and the Board committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);
- b. Safekeeps and preserves the integrity of the minutes of the meetings of the Board, Board committees and shareholders/members, as well as other official records of the corporation;
- c. Keeps abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the corporation, and advises the Board and the Chairperson on all relevant issues as they arise;
- d. Works fairly and objectively with the Board, Management and shareholders/members and contributes to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders/members as well as other stakeholders;
- e. Advises on the establishment of board committees and their terms of reference;
- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- h. Performs all required administrative functions;
- i. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- j. Performs such other duties and responsibilities as may be provided by the Board and the Commission.

Recommendation 1.6

The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.

Explanation

The Compliance Officer is a member of the company's Management team in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the corporation and its shareholders/members, and not to the Chairperson or President of the company. He has, among others, the following duties and responsibilities:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- d. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
- e. Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
- f. Collaborates with other departments within the company to properly address compliance issues, which may be subject to investigation;
- g. Identifies possible areas of compliance issues and works towards the resolution of the same;
- h. Ensures the attendance of board members and key officers to relevant trainings; and
- i. Performs such other duties and responsibilities as may be provided by the Board and SEC.

2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

Principle

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles of incorporation and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders/members and other stakeholders.

Recommendation 2.1

The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders/members and all other stakeholders.

Explanation

There are two key elements of the fiduciary duty of board members: the duty of care and the duty of loyalty. The duty of care requires board members to act on a fully informed basis, in good faith, and with due diligence and care. The duty of loyalty is also of central importance; the board member should act in the interest of the company and all its shareholders/members, and not those of the controlling group or any other stakeholder. The fiduciary duty of the board is to promote the value of the corporation. The board must exercise their business judgment in considering and reconciling the interests of various stakeholders – including shareholders.

Recommendation 2.2

The Board should oversee the development of and approve the company's business and strategy, and monitor its implementation, in order to sustain the company's long-term viability and strength.

Explanation

Sound strategic policies and objectives translate to the company's proper identification and prioritization of its goals and guidance on how best to achieve them. This creates optimal value to the corporation.

Recommendation 2.3

The Board should be responsible for ensuring and adopting an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the company. This should include adopting a retirement policy for directors and key officers.

Explanation

The smooth and efficient transition of company leadership to highly competent and qualified individuals is the goal of succession planning. It is the Board's responsibility to implement a process of appointing competent, professional, honest and highly motivated Management officers who can add value to the company. A good succession plan is linked to the documented roles and responsibilities for each position, and should start in objectively identifying the key knowledge, skills, and abilities required for the position.

Recommendation 2.4

The Board should align the remuneration of key officers and board members 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. In this regard, no director or trustee should participate in the determination of his own per diem or compensation.

Explanation

Companies are able to attract and retain the services of qualified and competent individuals if the level of remuneration is sufficient, in line with the business and risk strategy, objectives, values and measures are incorporated to prevent conflicts of interest. Remuneration policies promote a sound risk culture and encourage employees to act in the long-term interest of the company as a whole, rather than for themselves or their business lines only. Moreover, it is good practice for the Board to formulate and adopt a policy specifying the relationship between remuneration and performance, which includes specific financial and non-financial metrics to measure 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 or trustee should participate in the determination of his own per diem or compensation; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.

For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independently from any business line being overseen, and their performance measures are based principally on the achievement of their objectives.

Recommendation 2.5

The Board should have a formal and transparent board nomination and election policy that should include how it accepts nominations from its shareholders/members and reviews the qualifications of nominated candidates. The policy should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director/trustee. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the company.

Explanation

It is the Board's responsibility to develop a policy on board nomination and election. A formal and transparent nomination and election policy clearly provides for the procedures on how the Board accepts nominations and encourages shareholders'/members' participation.

The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors (NEDs), the independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members. The process includes monitoring of the qualifications of the directors.

The following may be considered as grounds for the permanent disqualification of a director:

- a. 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; (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;

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

The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code of the Philippines, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is 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;

- c. 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;
- d. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;
- e. Any person judicially declared as insolvent;
- f. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
- g. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five years prior to the date of his election or appointment; and
- h. Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

In addition, the following may be grounds for temporary disqualification of a director:

- a. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency,

unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;

- b. Dismissal, termination or removal for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal;
- c. If the beneficial equity ownership of an independent director (ID) in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an ID is lifted if the limit is later complied with; and
- d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Recommendation 2.6

The Board should have the overall responsibility in ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.

Explanation

Ensuring the integrity of related party transactions (RPTs) is an important fiduciary duty of the director. It is the Board's role to initiate policies and measures geared towards promotion of transparency, prevention of abuse, and protection of the interest of all shareholders/members. One such measure is requiring material RPTs to be approved by at least two-thirds (2/3) of the Board, with majority of the independent directors approving the transaction, in accordance with the provisions of the Revised Corporation Code of the Philippines, SEC issuances and other related 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/members.

The following are suggestions for the content of the RPT Policy:

- Identification of related parties;
- Coverage of RPT policy;
- Guidelines in ensuring arm's-length terms;
- Identification and prevention or management of potential or actual conflicts of interest which may arise;
- Adoption of materiality thresholds, as well as internal limits for individual and aggregate exposures;
- Approval of material RPTs based on the company's materiality threshold;
- Disclosure requirement of material RPTs;
- Self-assessment and periodic review of policy;
- Whistle-blowing mechanisms; and
- Restitution of losses and other remedies for abusive RPTs.

In addition, the company is given the discretion to set their materiality threshold at a level where omission or misstatement of the transaction could pose a significant risk to the company and influence its economic decision. The SEC may direct a company to reduce its materiality threshold or amend excluded transactions if the SEC deems that the threshold or exclusion is inappropriate considering the company's size, risk profile, and risk management systems.

Depending on the materiality threshold, approval of Management, the Board or the shareholders may be required. In cases where the Board and/or shareholders'/members' approval is required, it is good practice for interested directors and/or shareholders/members, respectively, to abstain and let the disinterested parties decide.

Recommendation 2.7

The Board should be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO) or his equivalent, and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive, as may be applicable).

Explanation

It is the responsibility of the Board to appoint a competent Management team at all times, monitor and assess the performance of the Management team based on established performance standards that are consistent with the company's strategic objectives, and conduct a regular review of the company's policies with the management team. In the selection process, fit and proper standards are to be applied on key personnel and due consideration is given to integrity, technical expertise and experience in the company's business, either current or planned.

Recommendation 2.8

The Board should establish an effective performance evaluation framework, which includes the standard or criteria for assessment, that will ensure that the Management, including the Chief Executive Officer or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management.

Explanation

Results of performance evaluation is oftentimes linked to other human resource activities such as training and development, remuneration, and succession planning. These form part of the assessment of the continuing qualification, fitness, and propriety of the Management, and personnel in carrying out their respective duties and responsibilities.

Recommendation 2.9

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, management, and shareholders/members. The Board should also adopt an Internal Audit Charter.

Explanation

In the performance of the Board's oversight responsibility, the minimum internal control mechanisms include overseeing the implementation of the key control functions, such as

risk management, compliance and internal audit, and reviewing the corporation's human resource policies, conflict of interest situations, compensation program for employees and Management succession plan.

Recommendation 2.10

The Board should oversee that a sound Enterprise Risk Management framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

Explanation

Risk management policy is part and parcel of a corporation's business strategy. The Board is responsible for defining the company's level of risk tolerance and providing oversight over its risk management policies and procedures.

Recommendation 2.11

The Board should have a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter should serve as a guide to the directors in the performance of their functions and should be made publicly available.

Explanation

The Board Charter guides the directors on how to discharge their functions. It provides the standards for evaluating the performance of the Board. The Board Charter also contains the roles and responsibilities of the Chairperson.

3. ESTABLISHING BOARD COMMITTEES

Principle

Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, compliance and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all the board committees should be contained in their respective board committee charters.

Recommendation 3.1

The Board should establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The Board committees should be composed only of board members.

Explanation

Board committees such as the Audit Committee, Corporate Governance Committee, and Board Risk Oversight Committee are necessary to support the Board in the effective performance of its functions. The establishment of the same, or any other committees that the company deems necessary, allows for concentration of focus in specific issues and leads to a better management of the Board's workload. The type of board committees to

be established by a company would depend on its size, risk profile, nature and complexity of operations. However, if the committees are not established, the functions of these committees may be carried out by the whole board or by any other committee.

Recommendation 3.2

The Board should establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee should be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, should be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairperson of the Audit Committee should not be the Chairperson of the Board or of any other committees.

Explanation

The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Audit Committee has the following duties and responsibilities, among others:

- a. Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;
- b. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard 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;
- c. Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
- d. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- e. Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;
- f. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more

than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;

- g. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence⁴. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- h. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- i. Reviews the recommendations in the External Auditor's management letter;
- j. Performs oversight functions over the corporation's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- k. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- l. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;
- m. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);
- n. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluates all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied;
- o. In case of the absence of an RPT Committee:

⁴As defined under the Code of Ethics for Professional Accountants.

- Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:
 1. The related party's relationship to the company and interest in the transaction;
 2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 3. The benefits to the corporation of the proposed RPT;
 4. The availability of other sources of comparable products or services; and
 5. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
 - Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
 - Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
 - Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
 - Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and
- p. Performs the functions of the Board Risk Oversight Committee, as provided under Recommendations 3.4, in the absence thereof.
- q. Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the IA.

Recommendation 3.3

The Board should establish a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nomination and Remuneration Committee. It should be composed of at least three (3) directors, majority of whom should be independent directors, including the Chairperson.

Explanation

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- a. 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 of operations and business strategy, as well as its business and regulatory environments;
- b. Oversees the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;
- c. Ensures that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the company's directors and defines the general profile of board members that the company may need, and ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election; and
- h. Establishes a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the corporation's culture and business strategy as well as the business environment in which it operates.

The establishment of a Corporate Governance Committee does not preclude companies from establishing separate Remuneration or Nomination Committees, if they deem desirable or necessary.

Recommendation 3.4

Subject to a corporation's size, risk profile, nature and complexity of operations, the Board should establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management System to ensure its functionality and effectiveness. The BROC should be composed of at least three (3) directors, the majority of whom should be independent directors, including the Chairperson. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

Explanation

The establishment of a Board Risk Oversight Committee (BROC) is particularly recommended for issuers of debt securities and for companies with a high risk profile.

Enterprise Risk Management (ERM) is integral to an effective corporate governance process and the achievement of a company's value creation objectives. Thus, the BROC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The BROC has the following duties and responsibilities, among others:

- a. Develops a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b. Oversees the implementation of the ERM plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advises the Board on its risk appetite levels and risk tolerance limits;
- e. Reviews at least annually 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 major events which may have occurred in the company;
- f. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g. Oversees the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h. Reports 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.

Recommendation 3.5

All established committees should have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters should provide the standards for evaluating the performance of the Committees and its members.

Explanation

The Committee Charter clearly defines the roles, accountabilities, powers and authority of each committee to avoid any overlapping functions, which aims at having a more effective board for the company. This can also be used as basis for the assessment of committee performance.

4. FOSTERING COMMITMENT

Principle

To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

The directors should attend and actively participate in all meetings of the Board, Committees, and shareholders/members in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the directors should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

Explanation

A director's commitment to the company is evident in the amount of time he dedicates to performing his duties and responsibilities, which includes his presence in all meetings of the Board, Committees and shareholders/members. In this way, the director is able to effectively perform his duty to the company and its shareholders/members.

The absence of a director in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency is a ground for disqualification in the succeeding election, unless the absence is due to illness, death in the immediate family, serious accident or other unforeseen or fortuitous events.

Recommendation 4.2

The non-executive directors of the Board should not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies.

Explanation

Being a director necessitates a commitment to the corporation. Hence, there is a need to set a limit on board directorships. This ensures that the members of the board are able to sufficiently prepare for meetings, effectively commit themselves to perform their roles and responsibilities, and regularly update their knowledge and enhance their skills. A maximum number of board directorships is recommended since sitting on the board of too many companies may interfere with the optimal performance of board members, in that they may not be able to contribute enough time to keep abreast of the corporation's operations and to attend and actively participate during meetings.

Recommendation 4.3

A director should notify the Board where he is an incumbent director before accepting a directorship in another company.

Explanation

The Board expects a director to devote sufficient time and attention to his duties and responsibilities. Hence, it is important that a director notifies his incumbent Board before accepting a directorship in another company. This is for the company to be able to assess if his present responsibilities and commitment to the company will be affected and if the director can still adequately provide what is expected of him.

5. REINFORCING BOARD INDEPENDENCE

Principle

The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.

Recommendation 5.1

The Board should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to carry out proper checks and balances.

Explanation

The right combination of non-executive directors (NEDs), which include independent directors, and executive directors, ensures that no director or small group of directors can dominate the decision-making process. Further, a board composed of a majority of NEDs assures protection of the company's interest over the interest of the individual shareholders.

Recommendation 5.2

The Board should have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

Explanation

The presence of independent directors (IDs) in the Board ensures 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. There is increasing global recognition that more IDs in the Board lead to more objective decision-making, particularly in conflict of interest situations. In addition, experts have recognized that there are varying opinions on the optimal number of IDs in the board. However, the ideal number ranges from one-third to a substantial majority.

Recommendation 5.3

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

Explanation

The independent directors (IDs) need to possess a good general understanding of the industry that the company engages in. Further, it is worthy to note that independence and competence should go hand-in-hand. It is therefore important that the non-executive directors, including IDs, possess the qualifications and stature that would enable them to effectively and objectively participate in the deliberations of the Board.

An ID refers to a person who, ideally:

- a. Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
- b. Is not, and has not been in the two (2) years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
- c. Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;

- g. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- i. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;
- j. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

Recommendation 5.4

The Board's independent directors should serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders'/members' approval during the annual shareholders'/members' meeting.

Explanation

Service in a board for a long duration may impair a director's ability to act independently and objectively. Hence, the tenure of an Independent Director (ID) is set to a cumulative term of nine (9) years. The IDs who have served for nine (9) years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012.

Any term beyond nine (9) years for an ID is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, the shareholders/members may, in exceptional cases, choose to re-elect an ID who has served for nine (9) years. In such instances, the Board must provide a meritorious justification for the re-election and seek shareholders'/members' approval during the annual shareholders'/members' meeting.

Recommendation 5.5

The positions of Chairperson of the Board and Chief Executive Officer or its equivalent position, should be held by separate individuals and each should have clearly defined responsibilities.

Explanation

To avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making, it is recommended that the positions of Chairperson and Chief Executive Officer (CEO) be held by different individuals. This type of organizational structure facilitates effective decision making and good governance. In addition, the division of responsibilities and accountabilities between the Chairperson and CEO is clearly defined and delineated and disclosed in the Board Charter.

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

- a. Implements the corporation's strategic plan on the direction of the business;
- b. Communicates and implements the corporation's vision, mission, values and overall strategy as formulated by the board and promotes any organization or stakeholder change in accordance with the same;
- c. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- d. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Directs, evaluates and guides the work of the key officers of the corporation;
- f. Manages the corporation's resources prudently and ensures a proper balance of the same;
- g. Provides the Board with timely information and interfaces between the Board and the employees;
- h. Builds the corporate culture and motivates the employees of the corporation; and
- i. Serves as the link between internal operations and external stakeholders.

The roles and responsibilities of the Chairperson are provided under Recommendation 1.2.

Recommendation 5.6

The Board should designate a lead director among the independent directors if the Chairperson of the Board is not independent, including if the positions of the Chairperson of the Board and Chief Executive Officer or its equivalent are held by one person.

Explanation

In cases where the Chairperson is not independent and where the roles of Chair and CEO are combined, putting in place proper mechanisms ensures independent views and perspectives. More importantly, it prevents abuse of power and authority, and potential and/or actual conflict of interest. A suggested mechanism is the appointment of a strong "lead director" among the independent directors. This lead director has sufficient authority to lead the Board in cases where management has clear conflicts of interest.

The functions of the lead director include, among others, the following:

- a. Serves as an intermediary between the Chairperson and the other directors when necessary;
- b. Convenes and chairs meetings of the NEDs; and
- c. Contributes to the performance evaluation of the Chairperson, as required.

Recommendation 5.7

A director with a material or potential interest in any transaction affecting the corporation should fully disclose his adverse interest, abstain from taking part in the deliberations for the same and recuse from voting on the approval of the transaction.

Explanation

The abstention of a director from participating in a meeting when related party transactions, self-dealings or any transactions or matters on which he has a material interest are taken up ensures that he has no influence over the outcome of the deliberations. The fundamental principle to be observed is that a director does not use his position to profit or gain some benefit or advantage for himself and/or his related interests.

Recommendation 5.8

The non-executive directors should have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings should be chaired by the lead independent director, if applicable.

Explanation

The non-executive directors (NEDs) are expected to constructively scrutinize the Management's performance, particularly in meeting the company's goals and objectives. Further, it is their role to satisfy themselves on the integrity of the corporation's internal control and effectiveness of the risk management systems. This role can be better performed by the NEDs if they are provided access to the external auditor and heads of the IA, compliance and risk functions, as well as to other key officers of the company without any executive directors present. If the company has a lead independent director, he should lead and preside over the meeting.

6. ASSESSING BOARD PERFORMANCE

Principle

The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

Recommendation 6.1

The Board should conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees.

Explanation

Board assessment helps the directors to thoroughly review their performance and understand their roles and responsibilities. The periodic review and assessment of the Board's performance as a body, the board committees, the individual directors, and the Chairperson show how the aforementioned should perform their responsibilities effectively. In addition, it provides a means to assess a director's attendance at board and committee meetings, participation in boardroom discussions and manner of voting on material issues.

Recommendation 6.2

The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders/members.

Explanation

Disclosure of the criteria, process and individual and collective results of the assessment ensures transparency and allows shareholders and other stakeholders to determine if the directors are performing their responsibilities to the company. Companies are given the discretion to determine the assessment criteria and process, which should be based on the mandates, functions, roles and responsibilities provided in the Board and Committee Charters. In establishing the criteria, attention is given to the values, principles and skills required by the company. The Corporate Governance Committee oversees the evaluation process.

7. STRENGTHENING BOARD ETHICS

Principle

Board directors are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1

The Board should adopt a Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of board members.

The Code should be properly disseminated to all the members of the Board. It should also be disclosed and made available to the public through the company website.

Explanation

A Code of Business Conduct and Ethics formalizing ethical values is an important tool to instill an ethical corporate culture that pervades throughout the company, especially on the board level. The main responsibility to create and design a Code of Business Conduct and Ethics suitable to the needs of the company and the culture by which it operates lies with the Board.

Recommendation 7.2

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.

Explanation

The Board has the primary duty to make sure that the internal controls are in place to ensure each board member's compliance with the Code of Business Conduct and Ethics. This includes the creation of efficient communication channels, which aid and encourage employees, customers, suppliers and creditors to raise concerns on potential unethical/unlawful behavior of board members without fear of retribution.

DISCLOSURE AND TRANSPARENCY

8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

Principle 8

The Board should establish corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations.

Recommendation 8.1

The Board should establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders/members and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.

Explanation

Setting up clear policies and procedures on corporate disclosure that comply with the disclosure requirement as provided in Rule 68 of the Securities Regulation Code (SRC) and other regulations such as those required by the Bangko Sentral ng Pilipinas (BSP), Insurance Commission (IC), if applicable, is essential for comprehensive and timely reporting.

Recommendation 8.2

The Company should have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares by the said directors and officers within five (5) business days.

Explanation

Directors and officers often have access to material inside information on the company. Hence, to reduce the risk that the directors might take advantage of this information, it is crucial for companies to have a policy requiring directors and officers to timely disclose to the company any dealings with the company shares. It is emphasized that the policy is on internal disclosure to the company of any dealings by the director or officer in company shares. This supplements the requirement of Rules 18 and 23 of the Securities Regulation Code.

Recommendation 8.3

The company's corporate governance policies, programs and procedures should be contained in its Manual on Corporate Governance, which should be submitted to the Commission and posted on the company's website.

Explanation

Transparency is one of the core principles of corporate governance. To ensure better protection of shareholders and other stakeholders' rights, the full disclosure of the company's corporate governance policies, programs and procedures is imperative. This is more efficiently done if the said policies, programs and procedures are contained in one reference document, which is the Manual on Corporate Governance (MCG). The submission of the MCG to the Commission and its posting in company's website ensure easier access by any interested party.

The MCG should contain the following, among others:

- a) A policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors;
- b) Policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same;
- c) Policies governing RPTs and other unusual or infrequently occurring transactions, as well as the review and approval of material and significant RPTs, geared towards the prevention of abusive dealings and transactions and the promotion of transparency. These policies include ensuring that transactions occur at market prices and under conditions that protect the rights of all shareholders;
- d) Policies on full, fair, accurate and timely disclosure to the public of every material fact or event that occurs in the company, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders/members and other stakeholders, which includes policy on the appointment an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;

- e) Alternative dispute mechanism(s) to resolve intra-corporate disputes in an amicable and effective manner;
- f) Policies on formal and transparent board nomination and election policy;
- g) Basic shareholder/member rights; and
- h) Qualifications and grounds for disqualification of directors.

Recommendation 8.4

The company should disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report, which should be which should be submitted to the Commission, and continuously updated and posted on the company's website.

Explanation

The Annual Corporate Governance Report (ACGR) is intended to be a comprehensive report containing all of the company's pertinent corporate governance information. The company is expected to provide regular updates on all the information required in the ACGR.

The ACGR should contain the following disclosures, among others:

- a) A policy on disclosure of all relevant and material information on individual board directors and key executives to evaluate their experience and qualifications, and assess any potential and/or actual conflicts of interest that might affect their judgment as prescribed under Rule 12 Annex C of the SRC;
- b) Board and executive remuneration, as well as the level and mix of the same;
- c) Accurate disclosure to the public of every material fact or event that occurs in the company, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders/members and other stakeholders, which includes policy on the appointment of an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets;
- d) The non-audit work, if any, of the External Auditor, the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses;
- e) The attendance record of the company's directors for the previous year; and
- f) Other information that the Commission or other regulatory agencies, may, from time to time require disclosure of.

9. STRENGTHENING EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

Principle 9

The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

Recommendation 9.1

The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor should be recommended by the Audit Committee and approved by the Board of Directors and the shareholders. For the removal or change in the external auditor, the reasons for removal or change should be disclosed to the Commission, the shareholders, and the public through the company website and other required disclosures.

Explanation

The appointment, reappointment and removal of the external auditor by the Board's approval, through the Audit Committee's recommendation, and shareholders' approval at shareholders' meetings are actions regarded as good practices. Shareholders' approval clarifies or emphasizes that the external auditor is accountable to the shareholders or to the company as a whole, rather than to the Management whom he may interact with in the conduct of his audit.

Recommendation 9.2

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

Explanation

The Audit Committee Charter includes a disclosure of its responsibility on assessing the integrity and independence of the external auditor. It establishes detailed guidelines, policies and procedures that may be contained in a separate memorandum or document. Nationally and internationally recognized best practices and standards of external auditing should guide the committee in formulating these policies and procedures.

Moreover, establishing effective communication with the external auditor and requiring them to report all relevant matters aid the Audit Committee in efficiently carrying out its oversight responsibilities.

Recommendation 9.3

The company should disclose the nature of non-audit services performed by its external auditor in the Annual Report in the interest of managing potential conflict of interest cases. The Audit Committee should be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

Explanation

The company's Audit Committee, in the performance of its duty, oversees the overall relationship of the company with its external auditor. It evaluates and determines the nature of non-audit services, if any, of the external auditor and reviews periodically the proportion of non-audit fees paid to the external auditor in relation to the corporation's overall consultancy expenses.

Allowing the same auditor to perform non-audit services to the company may create a potential conflict of interest. In order to mitigate the risk of possible conflict between the auditor and the company, the company's Audit Committee puts in place robust policies and procedures designed to promote auditor independence in the long run. In formulating these policies and procedures, the committee is guided by nationally and internationally-recognized best practices and regulatory requirements or issuances.

10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

Principle 10

The Board should ensure that the company discloses material and reportable non-financial and sustainability issues.

Recommendation 10.1

The company should have a clear and focused strategy on the disclosure of non-financial information. It should disclose to all shareholders/members and other stakeholders the company's strategic (long-term goals) and operational objectives (short-term goals) as well as impacts of a wide range of sustainability issues, with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability.

Explanation

As external pressures including resource scarcity, globalization, and access to information continue to increase, the way corporations respond to sustainability challenges, in addition to financial challenges, determines their long-term viability and competitiveness. One way to respond to sustainability challenges is disclosure to all shareholders/members and other stakeholders of the company's strategic (long-term goals) and operational objectives (short-term goals) as well as the impacts of a wide range of sustainability issues.

11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

Principle 11

The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for an informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

The company should have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.

Explanation

The manner of disseminating relevant information to its intended users is as important as the content of information itself. Hence, it is essential for the company to have a strategic and well-organized channel for reporting. A company website that is easily accessible and user-friendly with a dedicated section for corporate governance is considered a practical and cost-efficient way of communication. It can provide timely and up-to-date information relevant to investors and other interested stakeholders.

The company website should contain, among others, the Manual on Corporate Governance, Annual Corporate Governance Report, Board Charter, Committee Charters, the company's Code of Business Conduct and Ethics.

INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORKS

12. STRENGTHENING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Principle

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management system.

Recommendation 12.1

The Company should have an adequate and effective internal control system and an Enterprise Risk Management framework in the conduct of its business, taking into account its size, risk profile, nature and complexity of operations.

Explanation

An adequate and effective internal control system and an Enterprise Risk Management (ERM) framework help sustain safe and sound operations as well as implement management policies to attain corporate goals. An effective internal control system embodies the Management's oversight and control culture, risk recognition and assessment, control activities, information and communication, monitoring activities and correcting deficiencies. An effective ERM framework typically includes activities such as, identification, sourcing, measurement, evaluation, mitigation and monitoring of risk.

Recommendation 12.2

The Company should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.

Explanation

A separate Internal Audit (IA) function is essential to monitor and guide the implementation of company policies. It helps the company accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the company's governance, risk management and control functions. The following are the functions of the IA, among others:

- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
- c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
- f. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluates specific operations at the request of the Board or Management, as appropriate; and
- h. Monitors and evaluates governance processes.

A company's IA activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS/MEMBERS

13. PROMOTING SHAREHOLDER/MEMBER RIGHTS

Principle:

The company should treat all shareholders/members fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

Recommendation 13.1

The Board should ensure that basic shareholder/member rights are disclosed in the Manual on Corporate Governance.

Explanation

It is the responsibility of the Board to adopt a policy informing the shareholders/members of all their rights. Shareholders/members are encouraged to exercise their rights when provided clear-cut processes and procedures for them to follow.

Shareholders and members generally have the following rights, among others:

- i. Right to participate in the approval of material corporate acts;
- ii. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders'/Members' Meeting;
- iii. Right to nominate candidates to the Board of Directors/Board of Trustees;
- iv. Right to be informed of the nomination and removal process; and
- v. Right to be informed of the voting procedures that would govern the Annual and Special Shareholders'/Members' Meeting.

Moreover, shareholders have the following additional rights:

- i. Pre-emptive right;
- ii. Right to dividends; and
- iii. Appraisal right.

Shareholders/members are encouraged to participate when given sufficient information prior to voting on fundamental corporate changes such as: (1) amendments to the Articles of Incorporation and By-Laws of the company; and (2) extraordinary transactions, including the transfer of all or substantially all assets that, in effect, results in the sale of the company. Shareholders/members should also be informed before major changes in the business operation of the company happens. In addition, the disclosure and clear explanation of voting procedures, as well as the removal of excessive or unnecessary costs and other administrative impediments, allow for the effective exercise of shareholders'/members' voting rights. Poll voting is highly encouraged as opposed to the show of hands. Proxy voting is also a good practice, including the electronic distribution of proxy materials.

The right to propose the holding of meetings and items for inclusion in the agenda is given to all shareholders and members. However, to prevent the abuse of this right, companies may require that the proposal be made by shareholders or members holding a specified percentage of shares or voting rights. On the other hand, to ensure that minority

shareholders are not effectively prevented from exercising this right, the degree of ownership concentration is considered in determining the threshold.

Lastly, all shareholders and members must be given the opportunity to nominate candidates to the Board of Directors or Trustees, and/or cause the removal of any member thereof in accordance with the existing laws. The procedures of the nomination and removal process are expected to be discussed clearly by the Board. The company is encouraged to fully and promptly disclose all information regarding the expertise, experience and background of the candidates to enable the shareholders and members to study and conduct their own background check as to the candidates' qualification and credibility.

Recommendation 13.2

The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders'/Members' Meeting with sufficient and relevant information at least 21 days before the meeting.

Explanation

Required information in the notice include, among others, the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated upon and approved or ratified at the meeting. Sending the notice in a timely manner allows shareholders/members to plan their participation in the meetings. It is good practice to have the notice posted on the company website.

Recommendation 13.3

The Board should encourage active shareholder/member participation by making the result of the votes on matters taken during the most recent Annual or Special Shareholders'/Members' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders'/Members' Meeting should be available on the company website within five (5) business days from the date of the meeting.

Explanation

Voting results include a breakdown of the approving and dissenting votes on the matters raised during the Annual or Special Shareholders'/Members' Meeting. When a substantial number of votes have been cast against a proposal made by the company, it may make an analysis of the reasons for the same and consider having a dialogue with its shareholders/members.

The minutes of the meeting includes the following matters: (1) A description of the voting and vote tabulation procedures used; (2) the opportunity given to shareholders/members to ask questions, as well as a record of the questions asked and the answers received; (3) the matters discussed and the resolutions reached; (4) a record of the voting results for each agenda item; (5) a list of the directors, officers and shareholders/members who attended the meeting; and (6) dissenting opinion on any agenda item that is considered significant in the discussion process.

Recommendation 13.4

The Board should make available, at the option of a shareholder/member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

Explanation

It is important for the shareholders/members to be well-informed of the company's processes and procedures when seeking redress for the violation of their rights. Putting in place proper safeguards ensures suitable remedies for the infringement of shareholders'/members' rights and prevents excessive litigation. The company may also consider adopting in its Manual on Corporate Governance the established and generally accepted Alternative Dispute Resolution procedures.

Recommendation 13.5

The Board should establish an Investor Relations Office (IRO) or Customer Relations Office (CRO) or its equivalent to ensure constant engagement and communication with its shareholders/members. The IRO or CRO or its equivalent should be present at every shareholders'/members' meeting.

Explanation

Setting up an avenue to receive feedback, complaints and queries from shareholders/members assures their active participation with regard to activities and policies of the company. The IRO/CRO shall have a designated investor/customer relations officer, email address and telephone number. Further, creating an Investor/Customer Relations Program ensures that all information regarding the activities of the company are properly and promptly communicated to shareholders/members.

DUTIES TO STAKEHOLDERS

14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

Principle

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

Recommendation 14.1

The Board should identify the company's various stakeholders and promote cooperation between them and the company in creating wealth, growth and sustainability.

Explanation

Stakeholders in corporate governance include, but are not limited to the, customers, employees, suppliers, shareholders, members, non-proprietary rights holders, investors, creditors, the community the company operates in, society, government, regulators, competitors, external auditors, etc. In formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly or indirectly affected by its operations.

Recommendation 14.2

The Board should establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders.

Explanation

In instances where stakeholders' interests are not legislated, the company's voluntary commitments ensure the protection of the stakeholders' rights. The company's business conduct policies ideally include provisions on the company's procedures on dealing with various stakeholders. The company's stakeholders include its customers, resource providers, creditors and the community in which it operates. Fair, professional and objective dealings, as well as clear, timely and regular communication with the various stakeholders ensure fair treatment and better protection of their rights.

Included in the stakeholders are the holders of non-proprietary right. These holders have no participation in the management of the affairs and assets of the corporation, but they have rights over the use and enjoyment of the property of the company subject to the agreed terms and conditions. As such, non-proprietary right holders enjoy contractual rights which must be respected and upheld by the Board and the Management.

Non-proprietary right holders enjoy the following rights:

- i. Rights over the use and enjoyment of the corporate property subject to terms and conditions as may be provided in the articles of incorporation, by-laws and membership certificates;
- ii. The right to be informed of any material transaction or undertaking by the company, which may substantially affect the use and enjoyment of the corporate property over which the member holds non-proprietary rights; and
- iii. The right to seek redress for any violation of the aforementioned rights.

15. ENCOURAGING EMPLOYEES' PARTICIPATION

Principle

A mechanism for employee participation should be developed to create a symbiotic working environment consistent with the realization of the company's objectives and good corporate governance goals.

Recommendation 15.1

The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.

Explanation

The establishment of policies and programs covering, among others, the following: (1) health, safety and welfare of employees; (2) manpower training and development; and (3) employee reward/compensation, encourages employees to perform better and motivates them to take a more dynamic role in the corporation. Active participation is further fostered when the company recognizes the firm-specific skills of its employees and their potential contribution in the company's corporate governance. The employees' viewpoint in certain key decisions may also be considered in governance processes through work councils or employee representation in the board.

Recommendation 15.2

The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. Further, the Board should disseminate the policy and program to employees across the organization through orientations and continuous trainings to embed them in the company's culture.

Explanation

The adoption of an anti-corruption policy and program endeavors to mitigate corrupt practices such as, but not limited to, bribery, fraud, extortion, collusion, and money laundering. This encourages employees to report corrupt practices and outlines the procedures on how to combat, resist and stop these corrupt practices. Anti-corruption programs are more effective when the Board sets the tone and leads the company in their execution.

Recommendation 15.3

The Board should establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

Explanation

A suitable whistleblowing framework sets up the procedures and safe-harbors for complaints of employees, either personally or through their representative bodies, concerning illegal and unethical behavior in the company. One essential aspect of the framework is the inclusion of safeguards to secure the confidentiality of the informer and to ensure protection from retaliation. Further, part of the framework is granting individuals or representative bodies confidential direct access to either an independent director or a unit designed to deal with whistleblowing concerns. Companies may opt to establish an ombudsman to deal with complaints and/or confidential phone and e-mail facilities to receive allegations of illegal and unethical behavior.

16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Principle

The company should be socially responsible in all its dealings with the communities in which it operates. It should ensure that its interactions serve its environment and

stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

The company should recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

Explanation

The company's value chain consists of inputs to the production process, the production process itself and the resulting output. Sustainable development means that the company not only complies with existing regulations, but also voluntarily employs value chain processes which take into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the company plays an indispensable role alongside the government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.



SEC MEMORANDUM CIRCULAR NO. 2
Series of 2018

TO : PUBLICLY-LISTED COMPANIES
SUBJECT : COMPLIANCE WITH SEC-PREScribed WEBSITE TEMPLATE

Pursuant to the Commission's drive to promote a better corporate governance environment for PLCs, it issued SEC Memorandum Circular No. 11, Series of 2014, prescribing a Website Template for all Publicly-Listed Companies.

In connection with this, the Commission, in its *en banc* meeting on 19 December 2017 resolved that all companies applying for registration of its securities for listing are directed to comply with the SEC-prescribed website template as one of the requirements before the Registration Statement is rendered effective.

For companies listed before the issuance of this Memorandum Circular, due date of compliance with the SEC-prescribed website template shall be six (6) months from listing date.

Failure to comply with the website template shall result in the imposition of penalty provided under SEC Memorandum Circular No. 18, Series of 2014.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, 22 January 2018.

For the Commission:


TERESITA J. HERBOSA
Chairperson

JAN 22 2018