



**REVISED 2017 MANUAL ON CORPORATE  
GOVERNANCE**

## INTRODUCTION

The Board of Directors, Management, Officers and Staff of **ROXAS HOLDINGS, INC.** ("RHI" or the "Company") hereby commit themselves to the principles and best practices contained in this Manual and acknowledge that these principles and practices will guide them in the attainment of the company's goals.

This Manual institutionalizes the principles of good corporate governance in the entire organization. The Board of Directors, Management, Officers and Staff of RHI hereby undertake to do every effort that shall be necessary to create awareness and observance of these principles.

## VISION AND MISSION STATEMENTS AND VALUES

The company continues to be bound and guided by its Vision and Mission Statements as well as its Values in the pursuit of its goals and hereby adopts them as integral parts of this Manual. Thus:

### VISION

*To be a **WORLD-CLASS LEADER** in sugar cane-based products and services in the Asia Pacific region.*

### MISSION

**To our Customers:** *Provide quality sugar cane-based products and services.*

**To our Partners:** *Be fair and transparent in our dealings.*

**To our Stockholders:** *Enhance shareholder value with reasonable return on equity.*

**To our People:** *Provide professional growth, development and recognition.*

**To our Communities:** *Be a responsible corporate citizen.*

## VALUES

### **R – RELIABLE AND RELEVANT**

**RELIABLE** – *We fulfill expectations and deliver our commitments with all stakeholders.*

**RELEVANT** – *We are mindful of the constant challenges and changes affecting the environment, and address them with creative, fresh and competent solutions.*

### **H – HIGH STANDARDS**

*We constantly set high standards and ethics in our operations and with our products, and strive to exceed them.*

### **I – INTEGRITY**

*We consider doing business following the time-tested principles of fairness, transparency and honesty.*

## **PRINCIPLES ON CORPORATE GOVERNANCE**

### **PRINCIPLE 1:**

**RHI shall be headed by a competent, working Board to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.**

#### **1.1**

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Company's industries/sectors of operation. The Board shall 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.

#### **1.2.**

The Board shall 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 substantiate proper checks and balances.

### 1.3.

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

### 1.4

The Board shall have a policy on board diversity, taking into consideration factors on gender, age, ethnicity, culture, skills, competence and knowledge, provided that suitable qualified nominees to the Board are vetted, nominated and recommended by the Corporate Governance Committee and the Board, for election by the Company's shareholders.

### 1.5

The Board shall 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 shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

### 1.6

The Board shall 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 Company. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

## **Principle 2:**

**The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles and by-laws, and other legal pronouncements and guidelines shall be clearly made known to all directors as well as to stockholders and other stakeholders.**

### 2.1.

The Board members shall 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.

## 2.2

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

## 2.3

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

## 2.4.

The Board shall be responsible for ensuring and adopting an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value. This shall include adopting a policy on the retirement age or re-election for directors and key officers as part of management succession and to promote dynamism in the corporation.

## 2.5

The Board shall align the remuneration of key officers and board members with the long-term interests of the Company. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. Further, no director should participate in discussions or deliberations involving his own remuneration. The Board shall maintain a Compensation Committee to recommend, and oversee implementation of remuneration policies as adopted by the Board.

## 2.6

The Board, acting through the Corporate Governance Committee, shall have a formal and transparent board nomination and election policy that will include how it accepts nominations from minority shareholders and reviews nominated candidates. The policy shall also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director. In addition, its process of identifying the quality of directors shall be aligned with the strategic direction of the Company.

## 2.7

The Board shall have the overall responsibility in ensuring that there is a group-wide 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 shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size,

structure, risk profile and complexity of operations. Until such time as the Board deems it appropriate to create a separate Board Risk Oversight Committee, the Audit Committee shall be tasked to formulate the RPT policy including thresholds of materiality of transactions, assess RPTs as they occur, and recommend actions to the Board.

#### 2.8.

The Board shall be primarily responsible for approving the selection and assessing the performance of the Management led by the Chief Executive Officer (CEO), and control functions led by their respective heads (Chief Risk Officer, Chief Compliance Officer, and Chief Audit Executive). □

#### 2.9

The Board shall establish an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.

#### 2.10

The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board shall adopt and approve the Internal Audit Charter, as recommended by the Audit Committee.

#### 2.11

The Board shall oversee that a sound enterprise risk management (ERM) 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.

#### 2.12

The Board shall adopt a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties. The Board Charter shall serve as a guide to the directors in the performance of their functions, and shall be made publicly available and posted on the Company's website.

### **Principle 3:**

**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 Company's businesses.**

#### **3.1.**

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

#### **3.2**

The Board shall 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 shall be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, shall be independent. 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 Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

#### **3.3**

The Board shall establish a Corporate Governance Committee that is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It shall be composed of at least three members, all of whom should be independent directors including the Chairman, or at least a majority thereof, until such time as an additional director from the Company's current number of two (2) independent directors is properly vetted, nominated and elected in the Board by the Company's shareholders.

#### **3.4**

Depending on the Company's size, risk profile and complexity of operations, the Board has the option to establish a separate Board Risk Oversight Committee (BROC) that shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. The BROC shall be composed of at least three members, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

### 3.5

Depending on the Company's size, risk profile and complexity of operations, the Board shall likewise have the option to establish a Related Party Transaction (RPT) Committee, which is tasked with reviewing all material related party transactions of the Company. The RPT Committee shall be composed of at least three non-executive directors, two of whom should be independent, including the Chairman.

### 3.6

All established committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees. The Charters or any amendments thereto, once adopted, shall also be fully disclosed on the Company's website.

## **Principle 4:**

**The Board shall endeavor to exercise objective and independent judgment on all corporate affairs.**

### 4.1.

The directors shall attend and actively participate in all meetings of the Board, committees, and shareholders 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 director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

### 4.2

Unless allowed by the Board and provided that the director concerned will still be able to effectively perform his or her roles and responsibilities as member of the Company's Board, a non-executive director of the Board shall concurrently serve as director up to a maximum of five publicly listed companies, to ensure that he or she shall have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategies of the Company.



#### 4.3

A director should notify the Board where he or she is an incumbent director, before accepting a directorship in the Company, or to another company after his or her election to the Board.

#### **Principle 5:**

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

#### 5.1.

The Board shall have at least three independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. The Company shall, however, maintain its current number of two (2) independent directors, until such time as an additional independent director is properly vetted, nominated and elected in the Board by the Company's shareholders.

#### 5.2

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

#### 5.3

The Board's independent directors shall serve for a maximum cumulative term of nine 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 years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

#### 5.4

The positions of Chairman of the Board and Chief Executive Officer shall be held by separate individuals and each should have clearly defined responsibilities.

5.5.

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not an independent director, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

5.6

A director with a material interest in any transaction affecting the corporation shall abstain from taking part in the deliberations for the same.

5.7

The non-executive directors (NEDs) shall have separate periodic meetings, as maybe necessary, 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 Company. The meetings shall be chaired by the lead independent director.

#### **Principle 6:**

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

6.1.

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years or as maybe determined by the Board, the assessment shall be supported by an external facilitator.

6.2.

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

#### **Principle 7:**

**The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.**

#### 7.1.

The Board adopts a Code of Business Conduct and Ethics, which provides standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees. It shall also be disclosed and made available to the public through the Company website.

#### 7.2

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

### **Principle 8:**

**The company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.**

#### 8.1

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

#### 8.2.

The Company shall have a policy requiring all directors and officers to disclose/report to the company any dealings in the company's shares within three business days.

#### 8.3.

The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

#### 8.4

The Company shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The Company shall disclose the remuneration of directors and key executives, as a group, including termination and retirement

provisions, in a manner that will provide the stakeholders reasonable and accurate information without compromising the right to privacy, safety and security of the directors and officers concerned.

#### 8.5

The Company shall adopt policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions, to be disclosed to the public through the Company website. The material or significant RPTs reviewed and approved during the year shall be disclosed in its Annual Corporate Governance Report.

#### 8.6

The Company shall make full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders. Moreover, the Board of the Company, as may be necessary depending on the transaction involved, shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

#### 8.7

The Company's corporate governance policies, programs and procedures shall be submitted to the regulators and posted on the company's website, and annexed to this Manual as adopted or amended.

### **Principle 9:**

**The Company shall 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.**

#### 9.1

The Audit Committee shall 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 shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the company website and required disclosures.

## 9.2

The Audit Committee Charter shall 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.

## 9.3

The Company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall 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.

### **Principle 10:**

**The Company shall ensure that material and reportable non-financial and sustainability issues are disclosed.**

The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

### **Principle 11:**

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

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

**Principle 12:**

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

**12.1**

The Company shall 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 and complexity of operations.

**12.2**

The Company shall 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.

**12.3**

The Company shall have a qualified Chief Audit Executive (CAE) appointed by the Board. The CAE shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider, if any. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel shall be assigned the responsibility for managing the fully outsourced internal audit activity.

**12.4**

Subject to its size, risk profile and complexity of operations, the Company shall have a separate risk management function to identify, assess and monitor key risk exposures.

**12.5**

In managing the company's Risk Management System, the company shall have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to the Company's size, risk profile and complexity of operations.

### **Principle 13:**

**The Company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.**

#### **13.1**

The Board shall ensure that basic shareholder rights are disclosed, and made part of this Manual on Corporate Governance, and uploaded on the Company's website.

#### **13.2**

The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty eight (28) days before the meeting.

#### **13.3**

The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day, or as soon as practicable, but not exceeding five business days from the date of the meeting. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the company website within five business days from the date of the meeting.

#### **13.4**

The Board shall make available an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner, which upon adoption, shall be part of this Manual on Corporate Governance.

#### **13.5**

The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The Investor Relations Officer should be present at every shareholders' meeting.

#### **Principle 14:**

**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 shall have the opportunity to obtain prompt effective redress for the violation of their rights.**

##### **14.1**

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

##### **14.2**

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

##### **14.3**

The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.

#### **Principle 15:**

**A mechanism for employee participation shall be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.**

##### **15.1**

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

##### **15.2**

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



### 15.3

The Board shall 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 shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.


### Principle 16.


The Company shall be socially responsible in all its dealings with the communities where it operates. It shall 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.

The Company shall 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.

Signed by the Corporate Governance Committee\*:

  
**OSCAR J. HILADO**  
Chairman

  
**PEDRO E. ROXAS**  
Member/  
Chairman of the Board

  
**DAVID L. BALANGUE**  
Member

  
**FLORENCIO M. MAMAUAG, JR.**

VP Legal & Corp. Affairs/Compliance Officer

Revised Manual On Corporate Governance  
May 10, 2017

\*Unanimously approved for recommendation to the Company's Board of Directors by the Corporate Governance Committee, through written assent, and subsequently approved by the Company's Board of Directors on May 10, 2017.