

# COVER SHEET

2 4 4 4 5  
S.E.C. Registration Number

PROFESSIONAL SERVICES, INC.

(Company's Full Name)

DON EUGENIO LOPEZ SR, MEDICAL

COMPLEX, ORTIGAS AVENUE,

PASIG CITY

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

Atty. Norman P. Serapio  
Compliance Officer  
Contact Person

988-1000 local 6567  
Company Telephone

Number

1 2      3 1  
Month      Day  
Fiscal Year

MANUAL ON CORPORATE GOVERNANCE  
FORM TYPE

06      11 \*  
Month      Day  
Annual Meeting  
\* postponed

Secondary License Type, If Applicable

C G F D  
Dept. Requiring this Doc.

Amended Articles Number/Section

1,116  
Total No. of Stockholders

Total Amount of Borrowings  
Domestic      Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMP

**PROFESSIONAL SERVICES, INC.**  
**(THE MEDICAL CITY)**  
Don Eugenio Lopez, Sr. Medical Complex, Ortigas Avenue, Pasig City

**MANUAL ON CORPORATE GOVERNANCE**  
**(Revised as of 09 July 2020)**

**TABLE OF CONTENTS**

Introduction	3
Objectives	4
Definition of Terms	5
Rules of Interpretation	7
<b>SECTION I – THE BOARD’S GOVERNANCE RESPONSIBILITIES</b>	<b>7</b>
1. Establishing a Competent Board	7
A) Composition of the Board	8
B) The Chairperson of the Board	8
C) Training for Directors and Orientation Program for First-Time Directors	9
D) Board Diversity	9
E) The President	10
F) The Treasurer	10
G) The Corporate Secretary	10
H) The Compliance Officer	11
2. Establishing Clear Roles and Responsibilities of the Board	12
A) Duties and Responsibilities of the Board	12
B) Qualifications of Directors	15
C) Disqualification of Directors	15
D) Emergency Board	17
E) Internal Control Responsibilities of the Board	17
F) Norms of Conduct of a Director	17
G) Remuneration of Directors and Officers	19
3. Establishing Board Committees	19
A) Executive Committee	19
B) Nomination Committee	20
C) Compensation and Remuneration Committee	20
D) Audit Committee	21
E) Quality and Operations Committee	25
F) Staff Development and Research Committee	25
G) Corporate Governance Committee	25
H) Board Risk Oversight Committee	26
4. Fostering Commitment	27
5. Reinforcing Board Independence	28
A) Independent Director	29
B) The Chief Executive Officer	30
C) The Chief Financial Officer	31

**PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE**

D) The Chief Risk Officer	31
E) The Chief Audit Executive	32
6. Assessing Board Performance	32
7. Strengthening Board Ethics	32
<b>SECTION II – DISCLOSURE AND TRANSPARENCY</b>	
8. Enhancing the Corporations Disclosure Policies and Procedures	33
9. Strengthening External Auditor's Independence and Improving Audit Quality	33
10. Increasing Focus on Non-Financial and Sustainability Reporting	34
11. Promoting a Comprehensive and Cost-Efficient Access to Relevant Information	34
<b>SECTION III – INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS</b>	
12. Strengthening Internal Control and Risk Management System	35
<b>SECTION IV – CULTIVATING A SYNERGIC RELATIONSHIP WITH STOCKHOLDERS</b>	
13. Promoting Stockholder's Rights	37
A) Rights of Investors/Minority Interests	37
B) Pre-Emptive Right	38
C) Power of Inspection of Books and Records	38
D) Right to Information	38
E) Right to Dividends	39
F) Appraisal Right	39
<b>SECTION V – DUTIES TO STAKEHOLDERS</b>	
14. Respecting Rights of Stakeholders and Effective Redress of Violation of Stakeholder's Rights	40
15. Encouraging Employees' Participation	40
16. Encouraging Sustainability and Social Responsibility	41
<b>SECTION VI – ADMINISTRATION OF THE MANUAL</b>	
17. Communication Process	42
18. Monitoring and Assessment	42
19. Commitment to Good Corporate Governance	42
20. Penalties for Non-Compliance with the Manual	43
21. Board Approval and Effectivity	43

---

---

## **INTRODUCTION**

Professional Services, Inc. (herein referred to as the "Corporation"), doing business under the name "The Medical City (TMC)", has distilled more than 50 years of experience in hospital operation and administration in the establishment of its world-class healthcare organization that serves some 50,000 inpatients and 500,000 outpatients a year.

TMC is a growing healthcare network with its main healthcare complex located along Ortigas Avenue in the business district of Pasig City, Metro Manila, while the provincial hospitals are strategically situated in Clark, Iloilo, Laguna, and Pangasinan. TMC's hospitals are supplemented by a network of over 50 clinics in strategic locations scattered over Metro Manila and in selected provinces, an illustration of TMC's commitment to make high-quality healthcare accessible to a growing customer base.

TMC has also taken its brand into the global arena through the ownership and operation of Guam Regional Medical City or GRMC, the first and only private hospital in Guam.

The Board of Directors and Management of the Corporation believe that the key to long-term sustainability and success largely depends on having a good name and solid reputation. Thus, the business and operations of the Corporation will be conducted in accordance with the principles and best practices of good corporate governance.

The Corporation's corporate governance practices are anchored on its vision, mission, and core values, which guide the Board of Directors and Management in its decisions, interactions and relationships with stockholders and other stakeholders. These are as follows:

### ***Our Vision***

To always be a leader in shaping how Filipinos think, feel and behave about health and how health services are accessed by and delivered to them, and to use such leadership to serve equity in health, life and development.

### ***Our Mission***

The pursuit of our vision is animated by a passion to always keep our patient on center stage and deliver service of greater worth, engaging strategic partners who share our vision and passion, constantly proceeding from what we do best, and in the process of carrying these out, align the interests of our employees, our professional staff and our stockholders with the interests of those we serve.

### ***Our Core Values***

***Excellent and compassionate service*** - We aspire for excellence and compassion in the provision of our services, achieving increasingly

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

superior performance through organizational synergy and continuous innovation.

***Client partnership*** - We forge sustainable partnerships with enlightened and empowered clients - our patients, physicians and payors- systematically creating opportunities for active engagement, informed participation, and shared responsibility.

***Primacy of the human resource*** - We invest in the personal and professional development of our staff, providing them with the requisite technology, capacity and voice to exercise their primacy as a resource in serving our customers and creating value for our stockholders.

***Integrity*** -We uphold personal and institutional integrity, consistently seeking alignment between the values that we espouse, and the strategies, decisions and actions that we pursue.

The essential points of reference of this Revised Manual on Corporate Governance ("Manual" for brevity), are the principles contained in Securities and Exchange Commission Memorandum Circular No. 24, Series of 2019. Through this Manual, the Board aims to promote adherence, further strengthen the Corporation's commitments, to good corporate governance, and align our corporate governance system with the international practice taking into account the continuous developments in national regulations.

The Board of Directors, Management and Staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct in fulfilling their respective duties and responsibilities to stockholders and other stakeholders which include, among others, patients, customers, employees, suppliers, financiers, government and community in which the Corporation operates.

The Manual, in conjunction with the Corporation's Articles of Incorporation, By-Laws and charters of the Board Committees, constitute the governance framework of the Corporation.

## **OBJECTIVES**

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

The Board and Management, staff and stockholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the entire organization.

**DEFINITION OF TERMS**

- a) **Board of Directors (or Board)** - The governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- b) **Corporate Governance** - The system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stockholders and other stakeholders. It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board of Directors and Management accountable for ensuring ethical behavior and reconciling long-term client satisfaction with stockholders 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 stockholders, other stakeholders and the nation.
- e) **Enterprise Risk Management** - The process, effected by the Corporation'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.
- d) **Exchange** - An organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.
- e) **Executive Director** - A director who has executive responsibility of day-to-day operations of a part or the whole of the corporate enterprise.
- f) **Independent Director** - A person who, apart from his fees and shareholdings, is independent of Management, stockholders and free from any business or other relationship with third parties or stockholders which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
- g) **Internal Control** - The process designed and effected by the Corporation's Board of Directors, 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 Corporation's policies and procedures.
- h) **Internal Control System** - The framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed.

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- i) **Internal Audit** - an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- j) **Internal Audit Department** - The Corporation's unit that provides independent and objective assurance services in order to add value to and improve the Corporation's operations.
- k) **Internal Auditor** - The highest position in the Corporation responsible for internal audit activities and for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.
- l) **Management** - The group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation;
- m) **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.
- n) **Non-audit Work** - The other services offered by an external auditor to the Corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.
- o) **Non-Proprietary Right** -An interest, participation or privilege over a specific property of the 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 share in its assets upon its liquidation.
- p) **Proprietary Right**- An interest, participation or privilege in Corporation which gives the holder the right to use the facilities and to receive dividends or earnings from the Corporation. Upon the liquidation of the corporation, the holder shall have proportionate ownership rights over its assets.
- q) **Public Company**- A company with assets of at least Fifty Million Pesos (Php50,000,000.00) and having two hundred (200) or more stockholders holding at least one hundred (100) shares each of equity securities.
- r) **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.

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- s) **Related Parties-** The Corporation's directors, officers, substantial stockholders 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 Corporation. It also covers the Corporation'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.
- t) **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 shall 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.
- u) **SEC-**It shall mean the Securities and Exchange Commission.
- v) **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.
- w) **Stakeholders-** Any individual, organization or society at large who can either affect and/or be affected by the Corporation'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 Corporation operates.

## RULES OF INTERPRETATION

All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the corporation.

## SECTION I – THE BOARD'S GOVERNANCE RESPONSIBILITIES

### 1. ESTABLISHING A COMPETENT BOARD

The Corporation shall be headed by a competent, working Board of Directors to foster its long-term success and sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of its

stockholders and other stakeholders. The stockholders of the corporation shall elect the Board of Directors during the annual stockholders' meeting. (Principle 1)

#### **A) Composition of the Board**

The Board shall be composed of directors with a collective working knowledge, experience and expertise that is relevant to the Corporation's industry, as well as its nature as a public company. The Board will endeavor that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable the Board to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction. (Recommendation 1.1)

Pursuant to the Articles of Incorporation, the Corporation has fifteen (15) members in its Board, three (3) of whom shall be Independent Directors.

The membership of the Board shall provide an optimum combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

The non-executive directors shall, in addition to the prescriptive requirements for qualification under the Revised Corporation Code, Securities Regulation Code and other relevant laws, possess such qualifications and good standing that would enable them to effectively participate in the deliberations of the Board.

#### **B) The Chairperson of the Board**

The Board shall be headed by a competent and qualified Chairperson, whose roles and responsibilities shall be contained in the By-Laws of the Corporation. (Recommendation 1.2)

The duties and responsibilities of the Chair in relation to the Board may 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 the 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.

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- e. Assures the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Ensures that performance of the Board and its members are evaluated at least once a year and discussed or followed up, when necessary.

**C) Training for Directors and Orientation Program for First-Time Directors**

To promote effective Board performance and continuing qualification of the directors in carrying out their duties and responsibilities, the Corporation shall ensure training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

1. The orientation program ensures that new members are appropriately apprised of their duties and responsibilities, before beginning their directorship, and throughout their tenure. First-time directors shall attend at least eight (8) hours of orientation program covering SEC-mandated topics on corporate governance and includes an introduction to the Corporation's business, Articles of Incorporation and By-Laws and Code of Business Conduct and Ethics.

2. 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. Directors shall attend at least four (4) hours of annual continuing training on any matters relevant to the company, which could include training on audit, internal controls, risk management, sustainability and strategy. (Recommendation 1.3)

**D) Board Diversity**

The Corporation recognizes that diversity among its directors will foster critical discussion and promote balanced decision-making by the Board by utilizing the differences in perspectives of its directors. It views diversity at the Board level, which includes difference in skills, experience, gender, sexual orientation, age, religion, education, race, business and other related expertise, as an essential element in maintaining an effective Board for strong corporate governance.

The Board as a whole should possess all of the necessary skills, experience and functional expertise to oversee the strategic direction of the Corporation. In determining the optimum composition of the Board and in filling vacancies, the Nominations Committee will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

Since the Corporation belongs to the healthcare industry, it recognizes the important role of doctors with appropriate and relevant skills and experience that can contribute to the diversity of perspectives in the Board.

The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and its committees. The Corporate

Governance Committee will include this in its report to the Board of the final results of the annual performance evaluation. (Recommendation 1.4)

#### **E) The President**

The President must be a director of the Corporation and shall be elected by the Board. He shall likewise assume and perform the duties and responsibilities of the Chief Executive Officer.

To avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making, the positions of Chairperson and President shall be held by different individuals.

#### **F) The Treasurer**

The Treasurer must be a Philippine resident, and shall be elected by the Board and need not be elected from the members thereof. He shall be in-charge of the funds of the Corporation;

#### **G) The Corporate Secretary**

The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who shall 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. (Recommendation 1.5)

The Corporate Secretary is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the *Mission, Vision and Core Values*, as well as the specific business *policies and strategies* of the Corporation come with his duties. He must be a Filipino citizen. Considering his varied functions and duties, he must possess administrative, interpersonal skills and legal skills.

The Corporate Secretary is primarily responsible to the Board of Directors and its stockholders, and not to the Chairperson or President of the Corporation, 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 stockholders, 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 stockholders and contributes to the flow of information between the Board and

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

Management, the Board and its Committees, and the Board and its stockholders as well as other stakeholders;

- e. Advises on the establishment of Board Committees, their composition and their terms of reference;
- f. Informs members of the Board of the agenda of their meetings and ensures that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval. For this purpose, he shall aspire to send the notice, agenda and accurate information materials to the members of the Board ten (10) days before to the date of the meeting but in no case less than five (5) working days before the date of the meeting, in accordance with the By-Laws;
- 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 amendment or revision 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 SEC.

#### **H) The Compliance Officer**

To ensure adherence to corporate principles and best practices, the Board shall be assisted in its duties by a Compliance Officer who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance. (Recommendation 1.6)

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

- a. Ensures proper on-boarding of new directors (*i.e.*, orientation on the Corporation's business, Articles of Incorporation and By-laws, among others);
- b. Monitors, reviews, evaluates and ensures the compliance by the Corporation, its directors and officers, with the relevant laws, the Revised Corporation Code, rules and regulations and all governance issuances of the SEC and other regulatory agencies;
- c. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- 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 the Revised Corporation Code and other relevant rules and regulations;
- f. Collaborates with other departments within Corporation 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 of Directors and the SEC.

**2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD**

The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Corporation's Articles of Incorporation 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. (Principle 2)

**A) Duties and Responsibilities of the Board**

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

- a. The Board members shall act on fully informed basis, in good faith, with due diligence and care, and in the best interest of the Corporation and all stockholders and all other stakeholders. (Recommendation 2.1)
- b. Implement a process for the selection its members and those of Management to ensure a combination of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers with the appropriate balance and mix of skills, knowledge, experience, gender and age.
- c. The Board shall oversee the development of and approve the Corporation's business and strategy, and monitor its implementation, in order to sustain its long-term viability and strength. It shall periodically evaluate and monitor the implementation of such policies and strategies, including the

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

business plans, operating budgets and Management's overall performance. (Recommendation 2.2)

- d. The Board shall 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 Corporation. This shall include adopting a retirement policy for directors and key officers. (Recommendation 2.3)
- e. The Board shall provide strategic policies and guidelines to the corporation on major capital expenditures.
- f. Align the remuneration of key officers and Board members with the long-term interests of the Corporation. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. In this regard, no director shall participate in the determination of his own *per diem* or compensation. (Recommendation 2.4)
- g. Have a formal and transparent Board nomination and election policy that shall include how it accepts nominations from its stockholders and reviews the qualifications of nominated candidates. The policy shall include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement/removal of a director. In addition, its process of identifying the quality of directors should be aligned with the strategic direction of the Corporation. (Recommendation 2.5)
- h. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- i. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. The Corporation's CEO or Chief Financial Officer shall exercise oversight responsibility over this program.
- j. Ensure that there is a policy and system governing related party transactions, between and among the Corporation and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board 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 related party transactions, which guarantee fairness and transparency of the transactions. (Recommendation 2.6)
- k. Be primarily responsible for approving the selection and assessing the performance of the Management led by the CEO and control functions led by their respective heads (Chief Risk Officer, Compliance Officer, and Chief Audit Executive, as may be applicable); (Recommendation 2.7)
- l. Identify the Corporation's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- m. **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 stockholders. A regular review of the effectiveness of such systems shall be conducted to ensure the integrity of the decision-making and reporting processes at all times. There shall be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness. The Board shall also adopt an Internal Audit Charter. (Recommendation 2.9)**
- n. **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 shall guide the Board in identifying business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. (Recommendation 2.10)**
- o. **Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.**
- p. **Meet at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration.**
- q. **Have 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 guide to the directors in the performance of their functions and shall be made publicly available. (Recommendation 2.11)**
- r. **The Board shall likewise:**
  - (i) **Review the Corporation's purpose, its vision and mission and strategies to carry out its objectives, including its programs on service development, risk management, occupational and patient safety, quality improvement, professional staff development and research;**
  - (ii) **Establish an effective performance evaluation framework, which includes the standards or criteria for assessment, that will ensure that the Management, including the CEO or his equivalent, and personnel's performance is at par with the standards set by the Board and Senior Management (Recommendation 2.8); and**
  - (iii) **Evaluate its performance of the above duties and functions at least once a year using certain performance framework.**

**B) Qualifications of Directors**

In addition to the qualifications for membership in the Board provided for in the Revised Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- a. College education or equivalent academic degree;
- b. Practical understanding of the business of the corporation;
- c. Membership in good standing in relevant industry, business or professional organizations;
- d. Holder of at least one (1) share of stock of the Corporation;
- e. He shall have sufficient previous experience in management preferably related to the business of the corporation
- f. He shall be at least twenty-one (21) years old:
- g. He shall be assiduous and open - minded;
- h. He shall provide expertise to arrive at a decision to the Corporation;
- i. He shall be up - to - date on issues relating to the Corporation; and
- j. He shall be proven to possess integrity and probity.

**C) Disqualification of Directors**

1. **Permanent Disqualification**— The following shall be 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 (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) 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 (iii) 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 Commission or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.
- c. The disqualification shall also apply if (i) such person is the subject of an order of the SEC, *Bangko Sentral ng Pilipinas* ("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 SEC or BSP; (ii)

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

such person has otherwise been restrained to engage in any activity involving securities and banking; or (iii) 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;

- d. 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;
- e. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Revised Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- f. Any person judicially declared as insolvent;
- g. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (a) to (e) above;
- h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Revised Corporation Code committed within five (5) years prior to the date of his election or appointment.
- i. 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.

**2. *Temporary Disqualification***— The Board hereby provides for the temporary disqualification of a director for any of the following reasons:

- a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- b. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- c. Dismissal or termination for cause as director of any corporation covered by this Manual. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

- d. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

A disqualified director can be removed by the SEC on its own initiative or upon a verified complaint especially in relation to those convicted of violations of the Securities Regulation Code ("SRC"), offenses such as fraud, deceit and crimes like graft and corruption.

#### **D) Emergency Board**

When there is a vacancy in the Board of the Directors which prevents the remaining directors from constituting a quorum and emergency action is required to prevent irreparable loss or damage to the corporation, the remaining directors are allowed to temporarily fill the vacancy from among the officers of the Corporation, thereby constituting an emergency board, subject to certain requirements. The Emergency Board shall act in accordance with the provisions of Section 28 of the Revised Corporation Code.

#### **E) Internal Control Responsibilities of the Board**

The control environment of the Corporation consists of (a) the Board which ensures that the Corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts. Specific policies on Internal Control are enumerated in Section III of this Manual.

#### **F) Norms of Conduct of a Director**

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

2. A director shall observe the following norms of conduct:

- a. Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the Corporation. The basic principle to be observed is that a director

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.

A contract of the corporation with one or more directors, or their spouses and relatives within the fourth civil degree of consanguinity or affinity should meet the following conditions:

- i. The presence of such director or trustee in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- ii. The vote of such director was not necessary for the approval of the contract;
- iii. The contract is fair and reasonable under the circumstances; and
- iv. The contract is approved by at least two-thirds (2/3) of the entire membership of the board, with at least a majority of the independent directors voting to approve the material contract.

Full disclosure of the adverse interest of the directors involved must be made. Any director who has knowledge, or discovered material information of any violation of this provision must immediately inform and disclose such information to the Board.

- b. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. A director shall devote sufficient time to familiarize himself with the corporation's business. He shall be constantly aware of and knowledgeable with the corporation's operations to enable him to meaningfully contribute to the Board's work. He shall attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.
- c. Act judiciously. Before deciding on any matter brought before the Board, a director shall carefully evaluate the issues and, if necessary, make inquiries and request clarification.
- d. Exercise independent judgment. A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position. He shall not be afraid to take an

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

unpopular position. Corollary, he shall support plans and ideas that he thinks are beneficial to the corporation.

- e. Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies. A director shall also keep abreast with industry developments and business trends in order to promote the corporation's competitiveness.
- f. *Observe confidentiality.* A director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not reveal confidential information to unauthorized persons without the authority of the Board.

**G) Remuneration of Directors and Officers**

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

2. The Board of Directors shall establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the Corporation. No director shall participate in deciding on his remuneration.

3. The Corporation's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and at least top four (4) management officers during the preceding fiscal year.

**3. ESTABLISHING BOARD COMMITTEES**

Board Committees shall 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 shall be contained in their respective board committee charters. (Principle 3)

The Board shall establish board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities. The Chairperson and majority of the members of the Board committees shall be Board members. (Recommendation 3.1)

1. *Executive Committee*— An Executive Committee is hereby created to compose of seven (7) members, at least three (3) of whom shall be members of the Board to be appointed by the Board, the rest shall be senior officers of the Corporation. The

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

members of the Executive Committee may be increased by the Board depending on the exigency and relevance of the services of such additional member or members. For this purpose, the current members of the Committee shall serve as such until their successors shall have been qualified and appointed.

The Executive Committee may act, by majority vote of all its members on matters within the competence of the board, as maybe delegated to it as herein provided or on a majority vote of the Board, except to those exclusively reserved for action by the Board under the law. The Executive Committee shall act on the day to day operations of the Corporation, approve the purchase, acquisition and/or disposal of ordinary, incidental and necessary equipment, supplies and materials needed by the Corporation in furtherance of its primary purpose. It shall also act on the appointment and/or designation of senior officers as recommended by the President of the Corporation.

2. **Nomination Committee**— The Board shall create a Nomination Committee and shall have at least three (3) voting members, one of whom must be independent and one (1) non-voting member in the person of the Head of Corporate Services, who keeps the [201 files] of the Directors and Officers of the Corporation. The members of the Committee may be increased by the Board depending on the exigency and relevance of the services of such additional member or members. It shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, assess the effectiveness of the Board's processes and procedures in the election or replacement of directors, and pre - screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following guidelines:

- a. In consultation with the Executive or Management Committee, re-define the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- b. In evaluating the nominees, the Nomination Committee shall refer to qualifications and disqualifications of directors specified in Section I, 2 (B) and (C) of this Manual.
- c. The optimum number shall be related to the capacity of a director to perform his duties diligently in general.
- d. The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

3. **Compensation and Remuneration Committee** – The Compensation and Remuneration Committee shall be composed of at least three (3) members, one of whom shall be independent director. The members of the Committee may be increased by the Board depending on the exigency and relevance of the services of such additional member or members. The Committee shall establish a formal and transparent

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates. Duties and Responsibilities of the Committee are as follows:

- a. Must observe strict confidentiality in all matters involved in carrying out their responsibilities under this committee;
  - b. Establish a formal, transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the corporation's culture, strategy and control environment;
  - c. Designate the amount of remuneration, which shall be at a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;
  - d. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers;
  - e. Develop a form on Full Business Interest Disclosure as a part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
  - f. Disallow any director to decide his or her own remuneration;
  - g. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and ensuring year;
  - h. Review of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and
  - i. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.
4. **Audit Committee**— The Board shall establish an Audit Committee to enhance its oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, shall be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

accounting, auditing and finance. The Chairperson of the Audit Committee shall not be the Chairperson of the Board or of any other committees. (Recommendation 3.2)

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 shall be in place in order to: (i) safeguard the Corporation's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the Corporation's financial data, and (iv) 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 shall 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 shall 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 shall disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;

**PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE**

- 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 shall be prepared and presented to the stockholders;**
- m. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions ("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 Corporation are misappropriated or misapplied;**

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- o. In case of the absence of an RPT Committee:**
- (i) 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 Corporation 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 Corporation shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.**
  - (ii) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure shall 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 Corporation's affiliation or transactions with other related parties;**
  - (iii) 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;**
  - (iv) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and**
  - (v) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures;**
- p. Performs the functions of the Board Risk Oversight Committee in the absence thereof.**

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

4. **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.**

5. ***Quality and Operations Committee***– The Quality and Operations Committee shall compose of at least three (3) members to be appointed by the Board. The members of the Committee may be increased by the Board depending on the exigency and relevance of the services of such additional member or members. The Committee shall establish a formal and transparent procedure for developing a policy on Quality and Operations for the Corporation. This committee will focus on the Internal Business Process, the Patient as Customer as well as the Shareholders' Perspective and shall report to the Board in its regular meeting.

6. ***Staff Development and Research Committee*** –The Staff Development and Research Committee shall be composed of at least three (3) members to be appointed by the Board. The members of the Committee may be increased by the Board depending on the exigency and relevance of the services of such additional member or members. The Committee shall establish a formal and transparent procedure for developing a policy on Staff Development and Research. The Committee will focus on Learning and Growth Perspective as well as Physician and Customer Perspective which reports shall be presented in every regular Board meeting.

7. ***Corporate Governance Committee***– The Board shall establish a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities. It shall be composed of at least three (3) directors, majority of whom shall be independent directors, including the Chairperson. The members of the Committee may be increased by the Board depending on the exigency and relevance of the services of such additional member or members. 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:(Recommendation 3.3)

- 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;

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- e. **Recommends to the Board the formal adoption of 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. **Together with the Nominations Committee, determine the nomination and election process for the Corporation's directors and define the general profile of board members that the Corporation 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. **Together with the Compensation and Remuneration Committee, establish 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.**

8. ***Board Risk Oversight Committee***– The Board shall establish a separate Board Risk Oversight Committee (BROC) that shall be responsible for the oversight of a Corporation's Enterprise Risk Management System to ensure its functionality and effectiveness. The BROC shall be composed of at least three(3) directors, the majority of whom shall 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. (Recommendation 3.4)

Enterprise Risk Management (ERM) is integral to an effective corporate governance process and the achievement of a Corporation'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 Corporation'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;**

**PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE**

- c. **Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROCC 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 Corporation'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 Corporation;**
- 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 Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.**
- 9. **Other Committees maybe created by the Board to help in attaining the objectives and purposes of the Corporation. 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 and its members. (Recommendation 3.5)**

**4. FOSTERING COMMITMENT**

**To show full commitment to the Corporation, the directors shall 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. (Principle 4)**

- a. **The directors shall attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/videoconferencing or other alternative modes of communication that allow them reasonable opportunities to participate and 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 shall review meeting materials and if called for, ask the**

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

necessary questions or seek clarifications and explanations. (Recommendation 4.1)

- b. The members of the Board cannot attend or vote by proxy at board meetings.
- c. The non-executive directors of the Board shall not concurrently serve as directors to more than ten (10) public companies and/or registered issuers. However, the maximum concurrent directorship shall be five (5) public companies and/or registered issuers if the director also sits in at least three (3) publicly-listed companies. (Recommendation 4.2)
- d. Independent directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.
- e. A director shall notify the Board where he is an incumbent director before accepting a directorship in another Corporation. (Recommendation 4.3)
- f. To monitor the directors' compliance with the attendance requirements, corporations shall submit to the SEC, on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.
- g. It is important that directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of this information at all times.

**5. REINFORCING BOARD INDEPENDENCE**

The Board shall endeavor to exercise an objective and independent judgment on all corporate affairs. (Principle 5)

- a. 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 carry out proper checks and balances. (Recommendation 5.1)
- b. The Board shall have at least two (2) independent directors, or such number as to constitute at least 20% of the members of the Board, whichever is higher. (Recommendation 5.2)
- c. **Independent Director** – The Board shall ensure that, to hold the position, its independent directors possess the necessary qualifications and none of the disqualifications for a director, as enumerated in Section II B and C of this Manual. (Recommendation 5.3)

In addition, an independent director:

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- (i) **Is not, has not been or has not become an officer, employee or consultant of the covered Corporation including its affiliates and subsidiaries;**
- (ii) **Is not, and has not been in the two (2) years immediately preceding the election, a director of the Corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's substantial stockholders and its related companies;**
- (iii) **Has not been appointed in the Corporation, 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;**
- (iv) **Other than the required qualifying one (1) share of stocks, is not an owner of any other outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;**
- (v) **Is not a relative of a director, officer, or substantial stockholder of the Corporation or any of its related companies or of any of its substantial stockholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;**
- (vi) **Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;**
- (vii) **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 stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;**
- (viii) **Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial stockholder, 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;**
- (ix) **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 stockholder, in any transaction with the Corporation or any of its related companies or substantial stockholders, other than such transactions that are conducted at arm's length and could not**

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;

- (x) Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial stockholders; and
  - (xi) Is not employed as an executive officer of another company where any of the Corporation's executives serve as directors.
- d. The Board's independent directors shall serve for a maximum cumulative term of nine(9) years. After which, the independent director shall be perpetually barred from reelection 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 wants to retain an independent director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek stockholders' approval during the annual stockholders' meeting. (Recommendation 5.4)
- e. The positions of Chairperson of the Board and CEO or its equivalent position, shall be held by separate individuals and each shall have clearly defined responsibilities. (Recommendation 5.5)
- f. The Board shall 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 CEO or its equivalent are held by one person. (Recommendation 5.6)
- g. A director with a material or potential interest in any transaction affecting the corporation shall 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. (Recommendation 5.7)
- h. The non-executive directors shall 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. (Recommendation 5.8)
- i. ***The Chief Executive Officer (CEO)*** – The CEO shall be the overall-in-charge for the management of the business and affairs of the Corporation, governed by the strategic direction and risk appetite approved by the Board. He shall be primarily accountable to the Board in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Corporation.

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

The responsibilities and accountabilities of the CEO shall be clearly defined, delineated and disclosed in the Board Charter. He has the following roles and responsibilities, among others:

- (i) Implements the corporation's strategic plan on the direction of the business;
  - (ii) Communicates and implements the Corporation's *Vision, Mission, Core Values* and overall strategy as formulated by the Board and promotes any organization or stakeholder change in accordance with the same;
  - (iii) Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
  - (iv) Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
  - (v) Directs, evaluates and guides the work of the key officers of the corporation;
  - (vi) Manages the Corporation's resources prudently and ensures a proper balance of the same;
  - (vii) Provides the Board with timely information and interfaces between the Board and the employees;
  - (viii) Builds the corporate culture and motivates the employees of the corporation; and
  - (ix) Serves as the link between internal operations and external stakeholders.
- j. ***The Chief Financial Officer ("CFO")*** - The CFO is a member of the Corporation's Management team in charge of finance function. He shall keep full and accurate accounts of receipts and disbursements and other commercial transactions in the books belonging to the Corporation, and shall deposit all money and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated from time to time by the Board of Directors to handle its banking transactions; he shall disburse the funds taking proper vouchers for such disbursements, and shall render to the President and Directors at the regular meetings of the Board and at such other times as he may be required, an account of all his transactions as CFO and of the financial condition of the corporation.
- k. ***The Chief Risk Officer ("CRO")*** - The CRO is a member of the Corporation's Management team in charge of risk management functions. He monitors Management's activities in managing credit, market,

liquidity, operational, legal and other risk exposures of the Corporation. He provides the Board with information on risk exposures and risk management activities from Management.

1. ***The Chief Audit Executive ("CAE")***- The CAE is a member of the Corporation's Management team and refers to a top position within the organization responsible for internal audit activities. His duties and responsibilities are indicated in Section 12 of this Manual.

## 6. ASSESSING BOARD PERFORMANCE

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 possess the right mix of backgrounds and competencies. (Principle 6)

- a. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairperson, individual members and committees. (Recommendation 6.1)
- b. 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 stockholders. (Recommendation 6.2)
- c. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Corporation's annual report.

## 7. STRENGTHENING BOARD ETHICS

1. Board directors are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders. (Principle 7)
  - a. The Board shall 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 as well as unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Company as well as the corresponding disciplinary actions and sanctions. The Code shall be properly disseminated to all the members of the Board. It shall also be disclosed and made available to the public through the Corporation's website. (Recommendation 7.1)
  - b. The Board shall ensure the proper and efficient implementation and monitoring of compliance with Code of Business Conduct and Ethics. (Recommendation 7.2)

- c. **The Office of the Human Capital and Management Group and the Office of the Corporate Governance shall be responsible to disseminate the Code to all Directors, Officers and Staff for their information and proper guidance. It shall be posted in the Corporation's website to be accessible to all covered individuals and shall form part of the HR and compliance policies of the Corporation.**

**SECTION 2 – DISCLOSURE AND TRANSPARENCY**

**8. ENHANCING THE CORPORATION'S DISCLOSURE POLICIES AND PROCEDURES**

The Board shall establish corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations. (Principle 8)

- a. The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to stockholders and other stakeholders that gives a fair and complete picture of the Corporation's financial condition, results and business operations. (Recommendation 8.1)
- b. The Corporation shall have a policy requiring all directors and officers to disclose/report any dealings in the Corporation's shares by the said directors and officers within five (5) business days. (Recommendation 8.2)
- c. The Corporation's corporate governance policies, programs and procedures contained in this Manual on Corporate Governance shall be submitted to the SEC and posted on the Corporation's website. (Recommendation 8.3)
- d. The Corporation shall disclose all relevant information on its corporate governance policies and practices in the Annual Corporate Governance Report, which shall be submitted to the SEC, and continuously updated and posted on the Corporation's website. (Recommendation 8.4)
- e. Information on Group-wide business structure, including subsidiaries and the participation of significant stockholders, directors and senior officers will be provided and updated regularly in the Corporation's website.

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

The Corporation 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. (Principle 9)

**PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE**

- a. 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 and approved by the Board of Directors and the stockholders. For the removal or change in the external auditor, the reasons for removal or change shall be disclosed to the SEC, the stockholders, and the public through the Corporation's website and other required disclosures. (Recommendation 9.1)
- b. 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 shall also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis. (Recommendation 9.2)
- c. The Corporation shall 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 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. (Recommendation 9.3)
- d. The external auditor shall be rotated or changes every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, shall be changed with the same frequency.

**10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

The Board shall ensure that the Corporation discloses material and reportable non-financial and sustainability issues. (Principle 10)

- a. The Corporation shall have a clear and focused strategy on the disclosure of non-financial information. It shall disclose to all stockholders and other stakeholders the Corporation'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 governance issues of its business which underpin sustainability. (Recommendation 10.1)

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

The Corporation shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is

**PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE**

**crucial for an informed decision-making by investors, stakeholders and other interested users. (Principle 11)**

- a. To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.
- b. Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members shall be given independent access to Management and the Corporate Secretary.
- c. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
- d. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Corporation's expense.
- e. The Corporation shall have a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public. (Recommendation 11.1)

<b>SECTION III – INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS</b>
---

**12. STRENGTHENING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Corporation shall have a strong and effective internal control system and enterprise risk management system. (Principle 12)

- a. The Corporation 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, nature and complexity of operations. (Recommendation 12.1)
- b. The Corporation 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 Corporation's operations. (Recommendation 12.2)
- c. The Internal Audit shall have the following functions, among others:

**PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE**

- (i) 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;
- (ii) Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- (iii) Performs consulting and advisory services related to governance and control as appropriate for the organization;
- (iv) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- (v) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- (vi) 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;
- (vii) Evaluates specific operations at the request of the Board or Management, as appropriate; and
- (viii) Monitors and evaluates governance processes.

The Corporation's Internal Audit activity may be a fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

- d. The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- e. Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
  - (i) The extent of its responsibility in the preparation of the financial statements of the corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained;

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- (ii) An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders;
  - (iii) On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
  - (iv) The corporation shall consistently comply with the financial reporting requirements of the SEC;
  - (v) The Internal Auditor shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor shall certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.
- f. **Contract Management.** The Organization shall review and evaluate the terms and conditions of contracts, ensuring its compliance with, as well as documenting and agreeing on, any changes that may arise during its implementation. Contracts include but not limited to Employment Contracts, Procurement Contracts, Construction Contracts and Sales/Service Contracts. The Board, as recommended by the Management, shall adopt and promulgate, from time to time, a Contract Management Policy on Systems and Quality Operations Procedures for this purpose.

**SECTION IV – CULTIVATING A SYNERGIC RELATIONSHIP WITH STOCKHOLDERS**

**13. PROMOTING STOCKHOLDERS' RIGHTS**

The Corporation shall treat all stockholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. (Principle 13)

- A) The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its stockholders. Therefore

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

the following provisions on stockholder's right and protection are issued for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its investors. Moreover, the Board shall ensure that the basic stockholder rights are disclosed in the Manual on Corporate Governance: (Recommendation 13.1)

1. ***Rights of Investors/Minority Interests*** - The Board shall be committed to respect the following rights of the stockholders:
  - a. Right to participate in the approval of material corporate acts;
  - b. Right to propose the holding of meeting and to include agenda items ahead of the scheduled Annual and Special Stockholders' Meeting;
  - c. Right to nominate candidates to the Board of Directors;
  - d. Right to be informed of the nomination and removal process;
  - e. Right to be informed of the voting procedures that will govern the Annual and Special Stockholders' Meeting.
  - f. Right to elect, remove and replace directors. Cumulative voting shall be used in the election of directors. A director shall not be removed without cause if it will deny minority stockholders' representation in the Board.
2. ***Pre-Emptive Right*** - Pre-emptive right is denied under the Articles of Incorporation duly approved by the Securities and Exchange Commission.
3. ***Power of Inspection of Books and Records***- All stockholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Revised Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
4. ***Right to Information***
  - a. The stockholders shall be provided, through disclosures filed with the Securities and Exchange Commission with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the compensation and other remuneration of directors.
  - b. The stockholders, including minority stockholders, shall have access to any information relating to matters for which the management is accountable.

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- c. The stockholders, including minority stockholders, shall be granted the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

**5. *Right to Dividends***

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

**6. *Appraisal Right***

- a. The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Revised Corporation Code of the Philippines, under any of the following circumstances:
  - b. In case any amendment to the articles of incorporation has the effect of changing or restriction the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
  - c. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; and
  - d. In case of merger or consolidation.
- B. The Board should encourage active stockholder participation by sending the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at least 21 days before the meeting. (Recommendation 13.2)

- C. The Board shall encourage active stockholder participation by making the result of the votes on matters taken during the most recent Annual or Special Stockholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Stockholders' Meeting should be available on the Corporation's website within five (5) business days from the date of the meeting. (Recommendation 13.3)
- D. The Board shall make available, at the option of a stockholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. (Recommendation 13.4)
- E. 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 stockholders. The IRO or CRO or its equivalent should be present at every stockholders' meeting. (Recommendation 13.5)

**SECTION V – DUTIES TO STAKEHOLDERS**

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

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. (Principle 14)

- a. The Board shall identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. (Recommendation 14.1)
- b. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders. (Recommendation 14.2)

**15. ENCOURAGING EMPLOYEES' PARTICIPATION**

A mechanism for employee participation shall be developed to create a symbiotic working environment consistent with the realization of the Corporation's objectives and good corporate governance goals. (Principle 15)

- a. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance. (Recommendation 15.1)

PROFESSIONAL SERVICES, INC.  
MANUAL ON CORPORATE GOVERNANCE

- (i) *Health and Safety*. The Corporation is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.
  - (ii) *Employee Welfare*. The Corporation is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and psychological abuse including harassment, bullying and intimidation. In terms of compensation, the benefits program for the employees of the Corporation and subsidiaries are embodied in the Collective Bargaining Agreement.
  - (iii) *Training and Development*. The Corporation provides various in-house programs such as orientation program for new hires, regular training, job specific training courses, management and leadership training programs to enhance the knowledge, working skills and managerial ability of its employees. The Corporation allocates every year a training budget for these developmental programs.
- b. 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 Business Conduct and Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through orientations and continuous trainings to embed them in the Corporation's culture. (Recommendation 15.2)
  - c. 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. (Recommendation 15.3)

**16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

The Corporation shall be socially responsible in all its dealings with the communities in which 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. (Principle 16)

- a. The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates. (Recommendation 16.1)

**SECTION VI – ADMINISTRATION OF THE MANUAL**

**17. COMMUNICATION PROCESS**

- a. This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days upon prior notice.
- b. An adequate number of printed copies of this Manual may be reproduced under the supervision of the Head of the Corporate Services

**18. MONITORING AND ASSESSMENT**

- a. Each Committee shall report regularly to the Board of Directors.
- b. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Article 20 of this Manual.
- c. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- d. This Manual shall be subject to review by the Board of Directors as the need arises.
- e. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this manual shall be revoked unless upgraded to the complaint extent.
- f. The Corporation shall submit to SEC an annual Compliance Officer Certification on the extent of the Corporation's compliance with this Manual on or before January 30th of the succeeding year.

**19. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

The Corporation shall establish and implement its corporate governance rules in accordance with the *Code of Corporation Governance for Public Companies and Registered Users*. The rules are embodied in this Manual that can be used as a reference by the members of the Board and Management. The Manual shall be submitted to the SEC for its evaluation immediately upon approval by the Board to enable the SEC to determine its compliance with the *Code of Corporate Governance for Public Companies and Registered Users*, taking into consideration the nature, size and scope of the business of the Corporation; *provided, however*, that its earlier submitted manual may continue to use the said manual as long it complies with the provisions of the Code.

**20. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**

- a. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed by the Corporation, after notice and hearing, on the Corporation's directors and officers, subsidiaries and affiliates and their respective directors and officers in case of violation thereof.
  - (i) In case of first violation, the subject person shall be reprimanded.
  - (ii) Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
  - (iii) For third violation, the maximum penalty of removal from office shall be imposed.
- b. The commission of third violation of this manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.
- c. The Compliance Officer shall be responsible for initial determination of the violation/s through notice and hearing and shall recommend to the Board the imposable penalty for such violation for approval.

**21. BOARD APPROVAL AND EFFECTIVITY**

This Revised Manual on Corporate Governance, which supersedes the previous manual adopted by the Board, was approved by the Board of Directors on 09 July 2020. It shall take effect upon approval by the Board of Directors.

Pursuant to the requirement of the Securities and Exchange Commission, this Manual of Corporate Governance is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasig on 09 July 2020.

**SIGNATURES**

  
**JOSE XAVIER B. GONZALES**  
Chairman of the Board

  
**EUGENIO JOSE F. RAMOS**  
President and CEO

  
**NORMAN P. SERAPIO**  
Compliance Officer

  
**JOEL L. BODEGON**  
Corporate Secretary